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Fragile shoots of economic promise

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World Business Newspaper <http://www.FT.com>

TUESDAY JUNE 3 1997

McVeigh guilty of Oklahoma blast which killed 168

Gulf War veteran Timothy McVeigh, 29, was found guilty of the Oklahoma City bombing in April 1995 that killed 168 people and injured more than 500. The jury at the court in Denver had been deliberating since Friday. The former army sergeant could face the death penalty.

Hambo founder jailed Hambo steel group founder Chung Tae-soo was sentenced to 15 years' jail in South Korea. He was convicted of bribing senior government officials and bankers to acquire loans of nearly \$5bn. Page 14

US industry picks up US manufacturing activity picked up sharply last month, the National Association of Purchasing Management said in its monthly survey. Page 6

Bombardment kills 12 in Sierra Leone Twelve people were killed when Nigerian gunboats shelled Freetown, the capital of Sierra Leone. Nigerian troops are trying to reverse an eight-day old coup. Page 9

El Al's Sabbath restriction remains

An Israeli government commission backed proposals for the privatisation of state-owned national airline El Al, but insisted the ban on flying on the Sabbath would not be lifted before the listing on the Tel Aviv Stock Exchange. El Al president Joel Feldshuh (left) said it was unclear what percentage of shares would be allocated to institutional investors, but the majority would remain in Israeli hands. Page 14

BA faces strike British Airways ground staff, mainly at London's Heathrow and Gatwick airports, are threatening to strike over the contracting out of catering work. The TGWU transport union said action could ground the airline this summer. Page 10

GM to develop car in Brazil General Motors, the world's biggest carmaker, plans to develop a small car in Brazil at a \$600m plant in the south of the country. Page 5

China and Turkey plan D-Mark bonds China and Turkey plan to issue bonds denominated in D-Marks. The issues will be seen as a boost for the German bond market ahead of the expected launch of European economic and monetary union in 1999. Page 15

Malaysian ministers told to explain Malaysian acting prime minister Anwar Ibrahim told two cabinet ministers to explain alleged misuse of M\$600m (US\$240m), as part of a crackdown on improper practices. Page 8

Fuji Bank seeks status change Fuji Bank, one of Japan's largest commercial banks, hopes to turn itself into a holding company as part of its preparations for Japan's Big Bang financial deregulation. The bank will need to seek government consent for the move. Page 15

Bangkok tightens currency curbs Thailand's central bank strengthened its prohibitions on many foreign exchange transactions as traders in off-shore markets pushed the Thai currency to its highest level for almost two years. Page 8

Halifax comes to market Nearly 8m people shared £16.4bn (\$30bn) in free shares as former UK building society Halifax made a spectacular stock market debut as the UK's eighth largest company and its third biggest bank. Page 15; Lex, Page 14

Canadians vote Canadians went to the polls with the ruling Liberal party hoping to hold on to power, possibly with a reduced majority. Observer, Page 13

Audio-DVD specification planned The music industry expects to produce a final specification for an audio version of the digital versatile disc, which has a higher capacity than a standard compact disc and is already available in Asia and North America. Page 5

Venice's La Fenice to be rebuilt A consortium led by Impregilo, Italy's largest construction company, won a £90.2m (\$153.8m) contract to rebuild Venice's 205-year-old La Fenice opera house which was gutted by fire last year.

FT.com: the FT web site provides online news, comment and analysis at <http://www.FT.com>

■ STOCK MARKET INDICES		■ GOLD	
New York Investors	7322.31	10.73	New York Comex
Days but Ave	7322.31	10.73	(Jun 1) \$343.7 (344.8)
NASDAQ Composite	1403.52	(3.2)	
Europe and Far East			
CAC40	2801.45	(17.51)	
Day	2805.52	(67.78)	
FTSE 100	4362.5	(58.5)	
Nikkei	20,451.85	(303.04)	

■ US LUNCHTIME RATES		■ DOLLAR	
Federal Funds	5.1%	DM	1.730
3-mth Trea Bills	TM 4.903%	FF	5.935
Long Bond	9.9%	SF	1.4315
Yield	5.918%	Y	116.625

■ OTHER RATES		■ STERLING	
US 3-mo libor	8.1%	London	1.6220
DM 10 yr	10.2	DM	1.7282
DK 10 yr	10.0	FF	5.922
France 10 yr OAT	9.44	SF	1.4301
Germany 10 yr Bund	10.05	Y	116.505 (114.723)
Japan 10 yr JGB	103.1165	Tokyo close	Y 116.2

■ NORTH SEA OIL (Argus)		■ STERLING	
Grant Dated	\$19.10	(18.98)	DM 2.8185 (2.7903)



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Jospin cool on Maastricht

French left confirms sceptical attitude to monetary union

By David Owen and Andrew Jack in Paris

election 10 months early that paved the way for the rout of the centre-right, which had enjoyed an enormous majority in the previous National Assembly.

Mr Lionel Jospin, the French Socialist leader, promised yesterday to form a new government "quickly, this week" after the left's victory in Sunday's general election.

A senior Communist official

said demands would include "how to relax the Maastricht grip so that we no longer suffer external constraints". The 1992 treaty lays down the economic criteria for countries wanting to join a European single currency.

Reacting to the election result, Chancellor Helmut Kohl of Germany - one of the strongest backers of Ecu - said it had "shown how difficult it is to introduce the necessary reforms in a country through the democratic process".

In one of the first tangible effects on policy of the left's return to power, France Télécom yesterday suspended an advertising campaign linked to the planned float of a minority stake in the company. The



Lionel Jospin at the Elysée Palace yesterday after his meeting with President Chirac

Picture: Reuters

move, in effect, made it clear that the sale would not get under way, as planned, on June 5.

There was no word on the proposed privatisation of Thomson-CSF, the defence electronics giant, although the company's share fell heavily in anticipation of that sale also being scrapped or postponed.

Both the Socialists and Communists pledged during

the election campaign to halt the future privatisations.

As the centre-right RPR/UDF

alliance sought to come to terms with the scale of its defeat, which almost halved its parliamentary representation to 242 in the 577-member National Assembly, Mr Jean-François Mancel resigned as

secretary-general of the RPR.

Pressure also grew on Mr Alain Juppé, the former prime

minister and president of the RPR, to follow Mr Mancel's example.

Mr Philippe Séguin, who emerged as figurehead for the centre-right, campaigned in the final days before Sunday's poll, predicting "a knife fight" at the heart of the party.

The multi-coloured alliance, Page 2; Uncomfortable bedfellows, Page 13; Lex, Page 14

Franc and D-Mark fall on Emu fears

By Our Markets and Foreign Staff

The French franc and the D-Mark tumbled on foreign exchange markets yesterday as investors bet that the French election result and the German move over revaluation of gold reserves would lead to a broad-based and weak European monetary union.

The French franc fell heavily before making a recovery in afternoon trading in Europe. Despite repeated intervention by the French central bank a dollar that could buy FF 15.76 yesterday morning ended the day worth FF 15.52.

The D-Mark was also bloodied, as traders worried about it being converted into a weak euro. The German currency shed nearly three pennies against sterling to end at DM 2.81, and lost two pennies against the dollar to DM 1.72.

The left's victory in the French elections significantly increased anxiety in Bonn about the future of EMU, par-

ticularly as it came on the heels of the dispute between the German government and the Bundesbank over the revaluation of the country's gold reserves - a government plan aimed at helping to meet the criteria for joining a single currency.

Mr Karl Lamers, parliamentary foreign spokesman for the Christian Democratic Union and Christian Social Union

excuse for a postponement of the euro project.

But Mr Klaus Kinkel, German foreign minister, played down as campaign slogan the French Socialists' suggestion that they favour a broad monetary union including Italy and Spain and a more flexible reading of the Maastricht treaty.

M. Jacques Santer, president of the European Commission, said there was no possibility of a delay in the launch of Emu beyond the planned starting date on January 1, 1999: "The timetable is in the treaty," he added. "That is an agreement which is in Maastricht and we have to stick to treaty commitments." Bond analysts were surprised that bond markets

had held their ground after the French elections, but warned that conditions were likely to become volatile. French government bond futures ended marginally higher than Friday's close.

European equity markets were generally higher, apparently on expectations of a rebound in economic growth with anticipated currency weaknesses. The Paris CAC-40 ended 1.75 higher at 2,601.45 after being indicated at a 4 per cent loss in pre-market trading. Frankfurt was nearly 1 per cent higher in after-hours trading.

Frankfurt was nearly 1 per cent higher in after-hours trading.

Editorial comment and Observer, Page 13

Amoco to auction off 15% of oil and gas reserves

By Christopher Parkes in Los Angeles

Amoco, the US oil and gas group, is to auction off about 15 per cent of its domestic reserves and invest the proceeds in overseas exploration and production.

The sale, which is expected to yield at least \$2bn, is the most adventurous move yet in the group's long-term shift from the overcrowded US market to less-developed regions.

Yesterday's announcement followed the conclusion earlier this month of years of wrangling over a plan to build a \$3bn pipeline in which Amoco has recently bought a stake in Kazakhstan oil to Russia's Black Sea.

Amoco said yesterday it was bidding for more Kazakh production licences and would deploy some of the asset sale proceeds if it was successful.

"We are becoming more international. Our strategy is to move into proven reserves overseas, in Venezuela, Trinidad, the Nile delta, the Caspian Sea and the offshore Gulf of Mexico," it said.

Last year the group found, opened up or purchased reserves sufficient to replace its current non-US production more than fourfold.

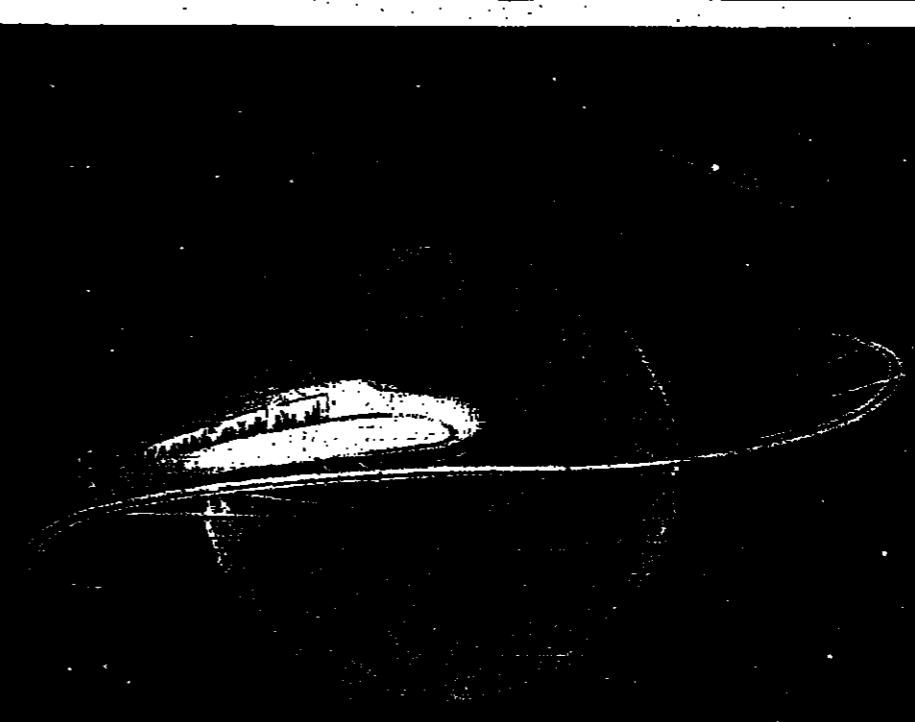
Amoco, which refused to speculate on how much the assets would bring, has appointed Morgan Stanley to advise on the sale of the estimated 450m barrels of oil equivalent.

About two-thirds of the offering, which includes some processing facilities and other plant, is natural gas with the balance in oil.

The assets will be bundled in five regional packages in Wyoming, Colorado, New Mexico, Oklahoma and on the coast of the Gulf of Mexico.

Mr Richard Flury, head of Amoco's exploration and production, said the reserves represented about 10 per cent of the group's 1996 production. "This divestment

Continued on Page 14



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NEWS: EUROPE

Greens, Socialists, Communists and others will have to work hard at staying together in the leftwing government

Multi-coloured alliance seeks common ground

By Andrew Jack in Paris

The unprecedented partnership of what has already become known as the "plural" left may have brought about the defeat of the centre-right in France's general elections on Sunday night. But it also brings with it considerable challenges and uncertainties.

The Socialist party alone scored impressively, salvaging its discredited image under the late president, François Mitterrand, which caused the collapse in the number of seats it held in the National Assembly to just 63 in the 1993 elections. Now it has swelled again, to 240.

The results were nevertheless tighter than suggested in opinion polls before the elections and in initial indications on voting night. The combined forces of the outgoing RPR-UDF fell sharply from 466 to 243 in the new parliament, yet prevented the Socialists from winning an absolute majority.

As Ms Dominique Voynet, leader of the Green party, put it while grinning broadly last night on hearing the results: "The pink, red and green alliance worked well." The combined forces of the left include a peculiar mixture of her own movement, several independent leftwing parties and most notably the Communist party, which - with an increase in the number of seats from 24 to 38 -



JACQUES DELORS, 71, former European Commission president, has acted as moral reference for the European credentials of Lionel Jospin in the campaign but has given no hint he is prepared to return to government. He was Socialist finance minister in 1981-84.



MARTINE AUBRY, 46, Mr Delors's daughter, is a former senior civil servant expert on employment policy and was labour minister in 1991-93. She set up a Foundation for Action against Social Exclusion, working to bring the young unemployed and poor back into the world of work.



Dominique Strauss-Kahn, 47, drafted Socialist party's economic policy and was its spokesman on economic affairs. A believer in active government industrial policy, he served as industry minister in 1991-93. He is married to the young unemployed and poor back into the world of work.



LAURENT FABIUS, 56, prime minister 1984-86, was once a rival of Lionel Jospin but has worked closely with him recently as leader of the parliamentary Socialist group. He was president of the National Assembly 1988-93 and is likely to take up that post again.



MICHEL ROCARD, 66, a leftist turned moderate social democrat, earned François Mitterrand's enmity by twice challenging him for the presidency. Mr Mitterrand made him prime minister in 1988 but took revenge by making him prime minister in 1993-94. Briefly led the Socialist party in 1993-94.



ELISABETH GUIGOU, 50, was a behind-the-scenes architect of France's European policy as personal adviser to François Mitterrand. She was catapulted to prominence as European affairs minister at the time of the Maastricht treaty. A skilled technocrat.

movement was ready to take part in the leftwing government and stressed that her priority was the move to a 35-hour week.

The Greens' own agreement with the Socialists, signed with much fanfare in March, calls for an eventual shift to a 35-hour working week without a reduction in wages; a national "conference" on salary levels; and tax reforms to favour those on lower incomes.

It says there will be a moratorium on nuclear reactor construction; the closure of the Superphénix fast reactor; a halt in motorway-building and the Rhine-Rhône canal; and changes on petrol taxes to reflect the degree to which they pollute.

It calls for the introduction of eco-taxes, as well as taxes on "speculative" capital movements; the creation of a single ministry for the environment, regional development, energy, transport and housing; and a shift towards a more "social" vision as a condition for monetary union.

The Green party would have a strong claim to a ministerial post.

But while the Communists may agree to a deal with the Socialists and expect a cabinet seat in exchange for their loyalty, Mr Hue himself may well be excluded since he is under formal judicial investigation in relation to alleged illegal party financing practices.

has become a force to be reckoned with.

The question is whether this multi-coloured alliance, hastily forged in the run-up to the election, will continue to function so effectively in the aftermath of victory.

The Socialist party itself encompasses a huge range of ideological beliefs which could create potential divisions in future parliamentary votes: from moderates such as Mr Michel Rocard, the former prime minister

who has likened his views to those of Mr Tony Blair in the UK, to radicals such as Mr Julian Dray on the hard left.

But the most closely watched negotiations in the coming days will be between Socialists and Communists. The two parties signed a historic agreement at the end of April which identified a number of areas of common ground and outlined the requirements for them to work together.

Notably, they highlighted

the need to boost consumer spending through a significant rise in salaries; the creation of 700,000 jobs for the young; the move towards a maximum working week of 35 hours - against 38 hours currently - without any reduction in salaries; and a halt to the privatisations of France Télécom, Thomson and Air France.

They also called for reforms to the tax system to boost investment in job creation and education; greater

involvement for employees in corporate decision-making; restructuring of immigration laws; and - significantly - a shift in additional power towards the parlia-

ment. Yesterday, Mr Robert Hue, head of the Communist party, stressed he was seeking responses from the Socialists on his priorities: an increase in the minimum wage; a reduction in value added tax; a shift toward a shorter working week; and

assistance for small businesses.

He has persistently refused to specify how far his party would be willing to co-operate on the single European currency, other than to make it clear that the existing policy - using the Maastricht criteria and the calendar at present in place - will have to change.

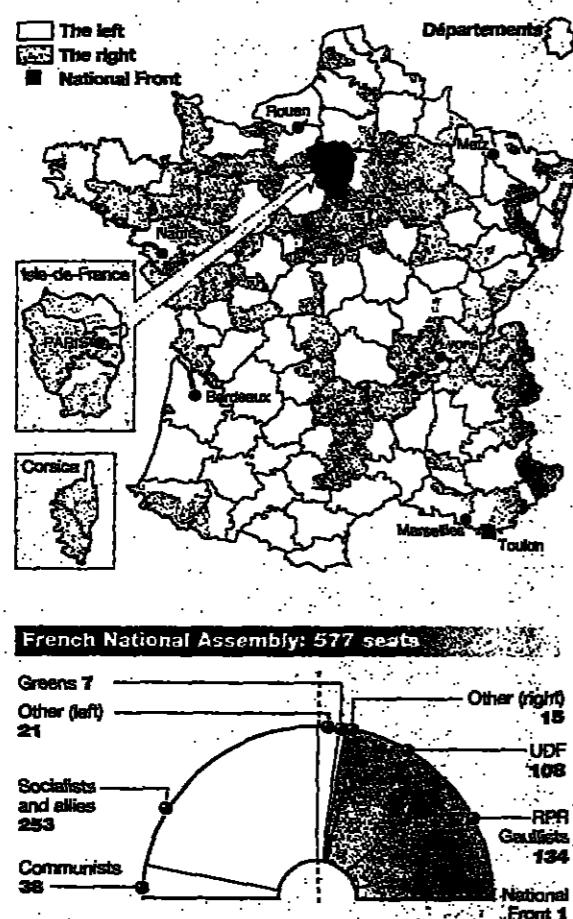
Other leftwing parties, including the seven deputies in Mr Jean-Pierre Chevènement's Citizens' Movement,

which is opposed to the Maastricht treaty, have also demanded clarifications of the Socialists' stance on the single currency, which includes the necessity of a political "counterweight" to the European Central Bank for determining interest rate policy.

Ms Voynet, whose unprecedented alliance with the Socialists helped win the Green party seven seats in the National Assembly, indicated yesterday that her

Pink, red and green sweep France

Political map redrawn by the 1997 results



By David Owen in Paris

The return of the Socialists casts severe doubt on France's flagging privatisation programme and looks set to result in yet more delays to the much needed restructuring of the European defence industry.

Executives at a string of privatisation candidates were yesterday waiting anxiously for the first indications of whether Mr Lionel Jospin, the new prime minister, would stick to the position spelt out in last month's campaign.

This was that the party favoured "neither new nationalisations nor new privatisations". His comments, in an interview in *Le Monde* newspaper, seemed broader than the position statement in the Socialist manifesto that the party "rejects the privatisation of public services and their transformation into objects of profit".

The first operations that stand to be hit by the election of a leftwing government are the planned sale of stakes in France Télécom, the state operator, and Thomson-CSF, the defence electronics giant.

The first of these alone was expected to raise between FF30bn and FF50bn (\$3bn-\$8bn) in what could well have been the country's

biggest privatisation. France Télécom yesterday announced it was suspending an advertising campaign linked to the float, making it clear that the sale would not go ahead on time.

Under the - already revised timetable, the early order period for the float was to begin on Thursday, just four days after the second round of the election, with the formal selling period running from June 24 to July 1.

Senior figures among the Socialists indicated earlier this year that the party might adopt a more pragmatic approach to privatisations in less sensitive sectors outside the public service and defence fields

Some observers still think the lure of easy money from privatisation proceeds may, in time, persuade Mr Jospin to permit the sale of a minority stake in France Télécom to proceed - possibly even ahead of the liberalisation of European telecoms markets next January.

The state is obliged by law to retain a majority interest in the company. The Socialist leader last month

the planned privatisation of the aircraft maker Aerospatiale following its proposed merger with Dassault Aviation.

This was certainly the verdict of the markets, which yesterday sent Thomson-CSF shares skidding FF11.50, or 7 per cent, to FF15.3 against a small end-of-day advance of 0.65 per cent for the benchmark CAC 40 index. Shares of Lagardère, one of the two bidders for control

of the company, were also off sharply at FF15.80, a loss of FF10.50, or 6.4 per cent.

Shares of Alcatel Alsthom, the telecoms and engineering group behind the other offer in partnership with Dassault, were down a much less significant FF4.1, or 6.5 per cent, at FF62.1.

Final bids for Thomson-CSF, whose fate is seen as vital to hopes of restructuring the European defence sector to combat beefed-up

palace include Air France, which last week announced a return to net profits for the first time since 1988, and a string of financial institutions including GAN, the insurer, and the banks CIC, Banque Herbe and Crédit Lyonnais.

Senior Socialist figures indicated earlier this year, however, that the party might adopt a more pragmatic approach to privatisations in less sensitive sectors outside the public service and defence fields. This suggests it is too early simply to conclude that such sales have no chance of taking place under a Socialist administration.

Another "hot" industrial dossier that may be affected by the left's return to power is the highly controversial proposed closure by Renault, the French carmaker, of its Vilvoorde factory in Belgium.

Unions were yesterday quick to indicate they would seek to put pressure on the new government as part of their continuing efforts to force management to reconsider.

Mr Jospin said last week at a rally in the northern French city of Lille that, if the left won, the state's representatives on the company's board would call for "other measures" to cut costs to be "envisioned, studied and prepared".

Delay worries give way to other concerns

French and German political commitment to timetable means abandonment unlikely, but many question Emu's chance of success, writes Wolfgang Münchau

Europe's investors are asking this week whether the Socialist victory in France and the political splits inside Chancellor Helmut Kohl's coalition have increased the likelihood of a delay in economic and monetary union (EMU).

In Germany, a growing number of economists believe that this may be the wrong question. They say the real question is not whether EMU is going to be delayed - most of them think it will not - but whether it will succeed once it has started.

One of those sceptics is Mr Thomas Mayer, chief German economist of Goldman Sachs in Frankfurt, who thinks EMU is so driven by political considerations that the economics are looking precarious.

Financial markets overwhelmingly assume a "judge-or-death" scenario. Mr Kohl's and President Jacques Chirac's dogged political determination to stick to the current timetable makes abandonment of the project at this stage unlikely.

If EMU's death is ruled out for political reasons, then judge it has to be. But judge may not necessarily result in

a soft euro, or at least not immediately. It could lead to a non-functioning euro, hampered by incompatible business cycles and incompatible sustainable growth rates across the region. Everybody would be locked together in a fixed currency system without economic adjustment mechanisms. There would be no devaluations and no fund transfers from rich to poor. A weak euro may well be the ultimate outcome of a non-functioning monetary union, but in the short-run the risk is greater that the euro may be too hard for its own good.

This is because an insecure European Central Bank (ECB) could well err on the side of caution initially.

Daring a look to the post-Euro world, Mr Mayer says: "The European central bank will pursue monetary policy as it was dealing with an optimal currency zone. It will steer a middle course between hard and soft monetary policies. In that case we will see tension in the labour markets.

They would be a currency that is weaker than the D-Mark because the combined euro area would be economically weaker than Germany, and because the average EMU-wide fiscal policy would be weaker than Germany's.

■ **Fudge**, resulting in a strong euro. In economics, almost everything can be argued both ways. If the ECB feels it needs to establish "credibility" with the financial markets, it may run a tighter monetary policy than would normally be warranted.

Given the uncertainties over the project, financial markets are poring over a proliferation of EMU scenarios. Here is a selection:

■ **Successful EMU delay** by about 18 months or 2 years. By then, most EU countries are in a more advanced stage in the economic cycle, making it easier for them to meet the Maastricht criteria.

■ **Unsuccessful EMU delay**. EU leaders decide to delay, but financial markets, commercial banks, industry and the public at large will lose interest in preparing for an ever-delayed EMU. It will be impossible to orchestrate an orderly delay, and the project will be abandoned.

■ **Fudge**, resulting in a weak euro. This scenario includes EMU taking place on time with the participation of virtually every EU state, except perhaps Greece and the opt-outs. The conse-

quence would be a currency that is weaker than the D-Mark because the combined euro area would be economically weaker than Germany, and because the average EMU-wide fiscal policy would be weaker than Germany's.

■ **Successful EMU by 1999**. This is the most likely outcome. The euro will be a currency that is weaker than the D-Mark because the combined euro area would be economically weaker than Germany, and because the average EMU-wide fiscal policy would be weaker than Germany's.

■ **Failure of EMU by 1999**. This is the least likely outcome. The euro will be a currency that is weaker than the D-Mark because the combined euro area would be economically weaker than Germany, and because the average EMU-wide fiscal policy would be weaker than Germany's.

■ **Failure of EMU by 2000**. This is the most likely outcome. The euro will be a currency that is weaker than the D-Mark because the combined euro area would be economically weaker than Germany, and because the average EMU-wide fiscal policy would be weaker than Germany's.

■ **Failure of EMU by 2001**. This is the least likely outcome. The euro will be a currency that is weaker than the D-Mark because the combined euro area would be economically weaker than Germany, and because the average EMU-wide fiscal policy would be weaker than Germany's.

■ **Failure of EMU by 2002**. This is the most likely outcome. The euro will be a currency that is weaker than the D-Mark because the combined euro area would be economically weaker than Germany, and because the average EMU-wide fiscal policy would be weaker than Germany's.

■ **Failure of EMU by 2003**. This is the least likely outcome. The euro will be a currency that is weaker than the D-Mark because the combined euro area would be economically weaker than Germany, and because the average EMU-wide fiscal policy would be weaker than Germany's.

their chances are lower now than they were a week ago.

Several of the events that could alter expectations one way or the other are imminent: the German government this week needs to win a no-confidence vote against Mr Theo Waigel, the finance minister. It also needs to pass the law that would allow a revitalisation of gold reserves.

Then there is the troubling political dispute between Mr Kohl's Christian Democratic Union and the Free Democratic party, the junior coalition partner which categorically rejects tax increases to fund the budget gap. There is a risk that the coalition could come unstuck before September 1998, when the next general elections are scheduled. In addition to all this, Mr Kohl will need to arrive at some political understanding with Mr Lionel Jospin. Mr Jospin said during the election that he wanted Italy and Spain to join EMU. Irrespective of whether they meet the criteria: he wants to renegotiate the stability and growth pact, which seeks to reign in deficit spending by future EMU members; and he wants to have a political counterpart to the independent European Central Bank.

Each one of these proposals has the potential to horrify the average German citizen - let alone Bundesbanker.

Ms Alison Cottrell, executive director of PaineWebber, says:

"The Socialists' emphasis on employment and on a broad EMU from the start, may pose an insurmountable obstacle to German participation in EMU. Once this perception prevails, the timetable, and possibly the project itself, could be at risk."

The events of the last week may not necessarily

Emu: who's going to make it

JP Morgan Calculator June 2 1997

	Yesterday	1 week ago	4 weeks ago
Germany	100%	100%	100%
France	100%	100%	100%
Belgium	100%	100%	100%
Portugal	75%	83%	72%
Spain			

IGC faces proposals on competition protection

By Andrew Fisher in Frankfurt and Emma Tucker in Brussels

Germany and France have proposed changes to the European Union's founding treaty aimed at protecting public sector banking and other services from full competition by enshrining their status and privileges in European law.

Both countries have tabled amendments for discussion by the intergovernmental conference (IGC) on treaty changes now meeting in Brussels. This is due to conclude its work in mid-June at the EU summit in Amsterdam.

The German government, under pressure from the regional states (Länder), is seeking to extend the protection of public sector banks against further attack from the private banking sector by having their guarantee status written into the treaty.

This was strongly criticised yesterday by the German private sector banking association as "an incredible move". It said the government should drop the amendment, which would set a "dangerous precedent" by encouraging other EU member states to push for other treaty changes - "with negative consequences for the

EU's competition rules".

The proposal is one of several put forward by EU countries seeking to exclude whole economic sectors from competition rules. France has tabled draft proposals aimed at protecting public services, such as gas and electricity.

A Belgian proposal seeks the same treatment for public service broadcasters because they are "directly related to the democratic, social and cultural needs of each society and to the need to preserve media pluralism".

This has infuriated commercial television companies, which say

it would discriminate against private broadcasters. Mr Jan Mojt, president of the Association of Commercial Television, said it went against the basis of the internal market rules "by pushing for the renationalisation of an entire services sector".

The attempt to protect Germany's Landesbanks - which provide financial services for state governments and local savings banks - has also outraged some diplomats in Brussels. "The Germans just try to roll over us like a bulldozer without any democratic control whatsoever," said one. An EU banker

said: "The 'competitive consequences could be dire'."

The banking association - whose members include Deutsche Bank, Dresdner Bank and Commerzbank - said the basic principles of free competition should not be sacrificed for the Landesbanks, which operate in the European single market in the same way as private sector banks. Mr Wolfgang Arnold, deputy director of the association, said the German treaty proposal was "a discredit to Germany's position as a financial centre".

The effect of the banking protocol would be to secure the Landesbanks a lasting advantage by excluding their guarantee status from competition rules. This gives them in effect unlimited state backing, enabling them to obtain top credit ratings and borrow at the most favourable rates in capital markets.

The German amendment proposes that it would be up to EU governments "to determine how to make it possible for their territorial public authorities (Länder) to fulfil their task of providing in the regions an efficient financial infrastructure with coverage for the whole region".

The German government has

already held up settlement of a complaint to the EU Commission by the private sector banking association on the way Westdeutsche Landesbank, the biggest public sector bank, received a DM4bn (\$3.3bn) capital injection through integration of a state housing development company.

Officials in Brussels fear the protocols could get caught up in horse-trading between member states as they thrash out treaty revisions which have to be agreed unanimously. Thus opposition from countries such as the UK might not be enough to prevent their inclusion.

German FDP calls for talks on gold row

By Ralph Atkins in Bonn and George Graham in Interlaken

Cracks emerged yesterday in the determination of Bonn government leaders to press ahead with revaluing Germany's gold reserves in the teeth of fierce Bundesbank opposition.

The Free Democratic party, junior members of Chancellor Helmut Kohl's coalition, was seeking urgent talks to reach an "amicable" agreement with the central bank. The call by

Mr Guido Westerwelle, FDP general secretary, was the first hint of a breach in the coalition's united front.

The Bundesbank last week condemned the government's plans to revalue the country's gold reserves to help meet the Maastricht criteria for European monetary union.

Adding to the nervousness was a warning from Mr Alois Glöckl, parliamentary leader of another coalition member, the Bavarian Christian Social Union, that Bonn might have to be delayed. Mr

Glück, whose party is led by Mr Theo Waigel, the federal finance minister, emphasised the importance of a stable successor to the D-Mark.

In calling for talks, the FDP said it stood firm behind the principle of revaluing gold and other reserves, adding that the dispute with the Bundesbank was only over timing. Mr Waigel said he was prepared for talks, although finance ministry officials in Bonn indicated he was in no mood to climb down and said no appoint-

ment had been fixed with Mr Hans Tietmeyer, Bundesbank president. The FDP's stance came against the backdrop of serious disputes within the coalition over Germany's mounting financial problems. An emergency meeting of coalition leaders on Sunday night failed to resolve difficulties over next year's budget. The FDP is opposing tax increases even though Mr Waigel has refused to rule out higher duties on goods including petrol. In an excitable political

atmosphere, exacerbated by coalition worries about the impact of the French elections on European economic integration, Mr Kohl called plans to give a speech in Paris tomorrow. Instead, he will remain in Bonn, where Mr Waigel is due to give a statement to parliament on the revaluation. The opposition Social Democratic and Green parties yesterday added to the pressure by announcing their intention to present motions backing the Bundesbank and demanding the

sacking of Mr Waigel.

Speaking to international bankers in the Swiss resort of Interlaken, Mr Kohl insisted that the gold revaluation was not an assault on the Bundesbank's independence. It was a step that would be necessary by 1998 at the latest to bring Germany's accounting treatment of its gold and foreign exchange reserves into line with other EU central banks.

"This is indisputably a matter for the legislator. On this point there is no difference of opinion," he said.

Waigel: prepared to talk, but in no mood to climb down

EUROPEAN NEWS DIGEST

Socialists on trial in Spain

The trial of Mr Luis Roldán, the disgraced head of Spain's paramilitary Guardia Civil corps, on charges of massive embezzlement began yesterday in Madrid.

It will be the first of several court hearings in the coming months tackling allegations of widespread corruption under the former Socialist party government.

Mr Roldán, a one-time Socialist party stalwart who in 1986 was the first civilian to be appointed director-general of the Guardia Civil, is accused of embezzeling Pta.1bn (\$7.5m) during a seven year period running the national security forces.

He spent 10 months on the run between April 1994, when he fled Spain, and February 1995, when he was arrested in Laos. His trial, which is expected to last several months, is likely to touch on issues such as the illegal financing of the then ruling Socialist party and government funding of a "dirty war" against suspected Basque separatists in the 1980s.

Separate corruption trials scheduled to appear before the courts will deal with slush funds allegedly set up by the Socialists; the alleged theft of security secrets by the former number two of Spain's intelligence service; and allegations that former Socialist security chiefs were directly involved with the "death squads" that fought Eta, the Basque separatist organisation.

Tom Burns, Madrid

Norway counts computer cost

Solving the millennium "bomb" will cost Norway's companies and public sector an estimated Nkr30bn (\$4.2bn), according to Norsk Brukergruppe, an association formed by Norwegian companies to tackle the millennium-end computing problem.

The worldwide problem is the consequence of software programming methods which store the year in a date as two digits rather than four - 97 rather than 1997, for example. Software using the two-digit convention will not be able to distinguish between dates in this century and the next.

As a result, companies will have to re-programme their computers to accept a four-digit field before 2000 to avoid computer chaos.

"A big Norwegian company will have to spend between Nkr50m and Nkr100m to make sure that its computers function in the year 2000," said a report by Norsk Brukergruppe quoted in the newspaper Dagens Naeringsliv.

In total, Norwegian companies will have to spend around Nkr15bn and the public sector Nkr12bn to overcome the problem, according to reports. Reuter, Oslo

Goldsmith ill with cancer

Sir James Goldsmith, the Anglo-French entrepreneur, is critically ill with cancer in a hospital near Paris. Mr Goldsmith, 64, who made a vast fortune as one of the most cool and astute corporate raiders of his time, first suffered pancreatic cancer in 1985. However, he kept its recurrence secret when he led his Referendum party in the six-week campaign for the British general election on May 1.

The party, campaigning against further European Union integration, won more than 800,000 votes but failed to win a single seat in the election. Reuter, Paris

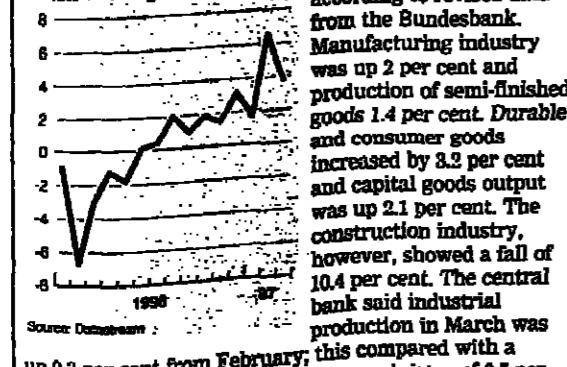
ECONOMIC WATCH

German production rises

Germany

Industrial production

Annual % change



up 0.3 per cent from February, this compared with a provisional figure from the economy ministry of 0.5 per cent. The March figure for the west of the country was 0.2 per cent above the month before; the east was up 2.5 per cent. ■ Sales of new cars in France fell by 23 per cent in May from a year earlier to 120,553 units, according to figures from the trade.

Since the beginning of the year sales have fallen to 89,465 units, 22.5 per cent lower than in the same period of last year.

Taiwan InnovalueSM grabbed Peter Grose with a pen that reads.



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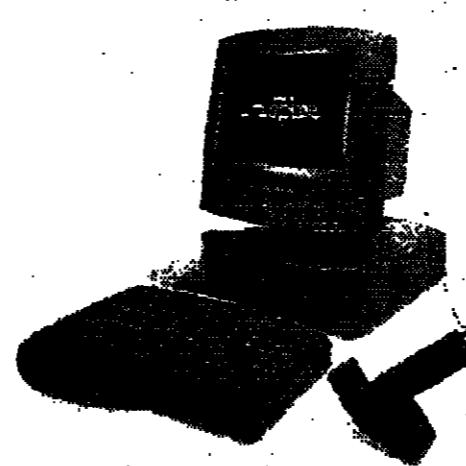
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NEWS: EUROPE

Hope springs in Russian economy

Statistics show sustained output growth but some doubt their veracity, writes John Thornhill

Maybe the spring weather is the reason, or the appearance of fresh faces in the government, but there is a growing mood of optimism in Moscow that the economy is finally turning. The sense of desperation that has characterised Russia's transition to a market economy appears to be slowly ebbing in the big cities at least.

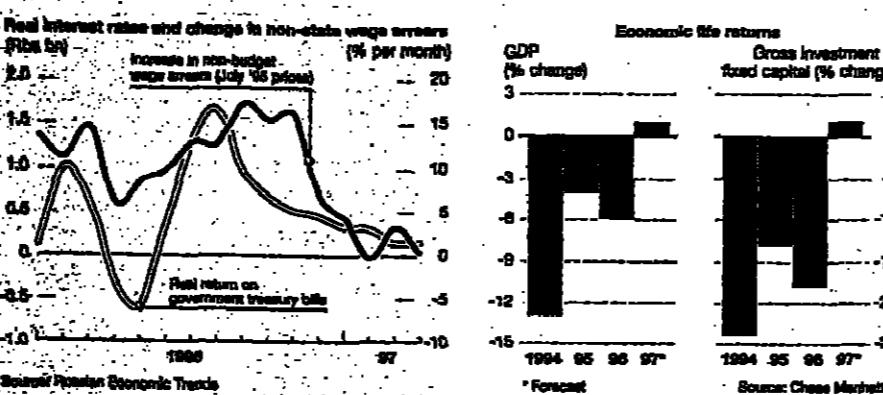
Moscow's city government can even plant tulips to celebrate its 550th anniversary without fear they will be picked and sold by impoverished pensioners.

Statistical evidence, imperfect though it may be, also shows that Russia's fitful macroeconomic stabilisation programme may be bearing fruit after years of agonising contraction.

In recent weeks there have been strong inflows of foreign capital into Russia, partial repatriation of flight capital and a strengthening of the rouble. Such has been the demand for the rouble that the central bank has been merrily buying dollars, lifting its net international reserves by \$2.2bn (£1.3bn) in April, the biggest rise in a year.

As a result, additional rou-

Russia: what a difference time can make



bles have flowed into the economy, facilitating cuts in interest rates.

"What economists have long been expecting is finally happening," says Mr Roland Nash, economist at Renaissance Capital, the Moscow-based investment bank.

Part of the reason for the increased confidence appears to be the passing of time. Inflation has remained below 3 per cent a month for the past 15 months, while the rouble has been trading within a predictable range for more than a year.

The growing faith in Russia's macroeconomic stabil-

ity has been matched by renewed hope for the country's political outlook.

A physically and politically rejuvenated President Boris Yeltsin has recently been thumping the table with his former vigour and his reshuffled government is pursuing reform efforts on several fronts.

Mr Anatoly Chubais, first deputy prime minister, says the current climate for reform is the strongest he has encountered in his six years in government. But he believes it will take time for the government to deliver results. "Next year in Russia will be the first year of eco-

nomic growth and an increase in living standards," he says, backing away from earlier predictions that the economy would grow this year.

There has recently been much controversy about how to interpret official statistics showing the first sustained output growth since the reforms began.

Independent economists allege the government has doctored the numbers by arbitrarily inflating its estimates of informal economic activity. But there are signs that some of Russia's industrial managers are emerging from their bunkers and

thinking about expansion.

Signs include:

- Uralmash, one of Russia's biggest heavy engineering plants, last month announced plans to raise \$45m via an international share offering to invest in new equipment.

- A swathe of companies have issued American Depository Receipts (ADRs), which may enable them to raise international finance in future.

- Several Russian banks have collectively raised hundreds of millions of dollars through the international syndicated loans market to build up their industrial loan portfolios.

Moreover, Mr Michael Marrese, emerging markets economist at Chase Manhattan International, estimates that the unofficial - and largely invisible - "grey" economy is growing at a rate of 10 per cent a year and accounts for an increasingly important share of gross domestic product.

He believes it has expanded from about a third of all economic activity in 1995 to 40 per cent today.

Its expansion could help produce growth of 5.4 per cent in the overall economy by June 10.

But the government must sustain its campaign to put its public finances in order if the fragile shoots of economic promise are to bloom into lasting growth.

Other economists are less sanguine about the immediate growth prospects, worrying about the strains on the federal budget and the lack of structural reforms.

In the first quarter of the year, the government collected just 57 per cent of its targeted tax revenues, leading to a massive backlog of pensions and wages.

If it cannot raise more tax revenue, it will be under enormous pressure to borrow more domestically. That runs the risk of driving up interest rates and crowding out private sector investment, as happened last year.

The government's current squeeze on the worst corporate tax debtors is therefore critical to sustaining its stabilisation programme. For example, signs are that Gazprom, the big gas monopoly, will deliver on its promise to pay \$1.2bn of back taxes by June 10.

But the government must sustain its campaign to put its public finances in order if the fragile shoots of economic promise are to bloom into lasting growth.

Tudjman in appeal for reconciliation

By Guy Dinmore in Belgrade

200,000 Serbs who fled Croatia in 1995.

"Croatia will brush aside all extremists," Mr Tudjman told reporters yesterday. "But it can't be held responsible for individual incidents of violence. But there will be no revenge."

Mr Vojislav Stanimirovic, leader of the Serb community in eastern Slavonia, said after talks with Mr Tudjman that Mrs Albright's warning had taken effect.

"His speech was proof of that," Mr Stanimirovic said. The Slavonian Serb leader, who is campaigning for Serbs to stay in the region as Croatian citizens with full rights, said he saw a future for Serbs in Croatia.

Eastern Slavonia, an oil and agriculture-rich region on Croatia's border with Serbia and Hungary, has been under UN administration since January 1995 after western powers persuaded Mr Tudjman to halt a big military offensive just short of the region.

More than 80,000 Croats who were expelled from eastern Slavonia by Serb forces in 1991 are waiting to return to their homes once Croatia regains full sovereign control, possibly next month. More than 100,000 Serbs live in the area, many of them refugees from other parts of Croatia. Many in the crowd said yesterday they would rather leave than live under an independent Croatia.

US officials have warned Mr Tudjman that the current mandate of the 5,000 UN troops and the UN administrator in eastern Slavonia, Gen Jacques Klein, could be extended beyond July 15 if Croatian officials continue to block the return of Serb refugees to Krajina.

Ukraine, Romania bury the hatchet

By Anatol Lieven in Bucharest

Romania and Ukraine yesterday signed an historic friendship treaty which Romanians hope will open the way for them to join Nato.

Western leaders, including most recently US President Bill Clinton, have stressed reconciliation between Romania and its neighbours as a key step to Nato membership.

The pact was signed in the Romanian Black Sea resort of Neptun by Presidents Emil Constantinescu and Leonid Kuchma. Negotiations have taken three years, delayed by Romania's insistence on Ukraine denouncing the Molotov-Ribbentrop pact of 1939 under which large areas of Romanian territory in Bessarabia and Bukovina were transferred to Ukraine.

The Romanians have always refused, regarding this as a veiled territorial claim. The present treaty makes no mention of this transfer, stressing instead the inviolability of existing frontiers. It also provides for the establishment of a free trade zone on the common border.

However, the treaty ignores one remaining contentious issue, the sea frontier between the two countries, especially around Serpent's Island, annexed from Romania by Ukraine when it was part of the Soviet Union. Both states believe the seabed in this region may be rich in oil and gas.

The drawing of this frontier has been left to a future agreement, to be negotiated by 1999.

Romanian leftwing and nationalist opposition deputies refused to attend the signing ceremony, which they described as an act of treason. They have also vowed to vote against the treaty in parliament. The public generally, however, seem to have accepted the treaty as a condition of Nato membership.

The new Romanian government is strongly interested in boosting trade with Ukraine, and is exploring the possibility of co-operation in creating new routes for oil and gas from the new fields of the Caspian Sea.

Doubts in Italy on state overhaul

By Robert Graham in Rome

The French election result has injected an element of uncertainty into final negotiations for a major overhaul of Italy's executive being conducted by a joint parliamentary commission.

Two alternatives are being considered - a stronger directly elected prime minister or a semi-presidential system similar to that of France. Until the weekend, the bulk of the members of the 70-person commission appeared to be moving towards the idea of a semi-presidential system. But the prospect of an awkward co-habitation between a prime minister representing one electoral grouping and a president backed by another has been highlighted by the French elections.

The rightwing opposition parties, especially the National Alliance (AN) of Mr Gianfranco Fini, have pushed hard for the introduction of "semi-presidentialism", convinced this is the best means of strengthening a weak executive and exercising more authority over the slow legislative process in parliament. However, support for this solution was based on the belief that the French system had proven its resilience with the late Socialist President Francois Mitterrand co-operating successfully with a prime minister of the centre-right.

Supporters of a French-style solution to Italy admitted yesterday they had never imagined it possible to have a prime minister with a huge popular endorsement co-habiting with a man whom he had once challenged for the presidency, as is the case now with Mr Lionel Jospin and President Jacques Chirac.

At present the Italian president is elected by parliament and serves for seven years. Although the officeholder has the power to dissolve parliament and appoint the premier, the president's authority is largely symbolic, with policy initiatives entirely in the hands of the government.

Despite misgivings about importing presidentialism, the deciding factor in a vote could well be the new federal context in which the constitution is due to be

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NEWS: THE AMERICAS

Smoke signals augur well, but the US health community is still deeply divided

\$300bn tobacco peace deal may be close

Against all the odds, the US tobacco industry and its opponents could be days away from finalising a scrool deal that would bring a lasting peace between the two sides after decades of bitter and costly confrontation.

Yet the settlement faces at least one big obstacle before it can become a reality: a strongly held conviction among some members of the health community that the tobacco industry is going to come out on top.

Health advocates are strongly opposed to any deal that would give the tobacco industry blanket immunity from lawsuits brought by individuals suffering from smoking-related diseases.

Equally, the tobacco industry insists that this is a condition for any deal.

With the anti-tobacco camp divided over this issue, the talks have been suspended to allow the anti-tobacco negotiators to resolve their internal differences.

The tobacco industry is represented at the talks by lawyers for Philip Morris and R.J. Reynolds Tobacco, the two biggest US cigarette makers. On the other side of the negotiating table are the attorneys-general for some of the 30 states suing the industry for the recovery of smoking-related healthcare costs, lawyers for individuals suing

Breathing space: how US cigarette companies compare for January

A price increase of 50 cents a pack would raise \$12bn a year.

Effect of price increase in first year	Philip Morris	SIR Nabisco
Drop in consumption	-11.3%	-11.3%
Operating profit per pack	\$0.40	\$0.28
Interest expense on unpaid payment	\$300m	\$175m
Total loss in after-tax profits	\$874m	\$223m
Effect on earnings per share	1997 '98 '99 '2000	1997 '98 '99 '2000
Existing growth rate	15% 15% 15%	13% 13% 13%
Interest expense (\$)	-0.10	0.30
Adjusted growth rate	7% 20%	-8% 25% 14%

Source: Standard & Poor's

the industry, and a lone representative - a lawyer for the Coalition for Tobacco-Free Kids.

When the talks began two months ago, a settlement appeared unlikely. But the lawyers gradually produced a framework for a deal that would give the US tobacco industry extensive protection against lawsuits in return for payments totalling \$300m over the next 30 years.

The sum would be paid at the rate of \$10bn a year, to be split between the states and the individual plaintiffs. Payments would be split

between companies according to market share, with the first instalment of \$10bn due next year.

On top of this, the industry would also meet the cost of damages won by individual smokers. But no smoker would receive more than \$1m in any one year, and the industry's total liability to individual smokers would be capped at \$200 a year.

There would be other limitations on individual lawsuits, too. No class action lawsuits or punitive damages would be allowed; individuals would be able to sue only if they had given up

smoking or entered a stop-smoking programme and failed to quit; and people who did not try to give up smoking by 2005 would lose the right to sue, as would those who took up smoking after 2000.

Although \$300bn is a lot of money, Wall Street analysts say a settlement would have little effect on the industry's profitability because cigarette makers would offset the cost by increasing cigarette prices in the US by 50 cents a pack.

Even then, they would remain among the cheapest in the developed world.

Mr Gary Black, an analyst

at Sanford C. Bernstein, calculates that the settlement would cut Philip Morris's growth in earnings per share from 16 per cent to 7 per cent next year. But after that, the growth rate would bounce back, and the company's stock price would soar because the uncertainty over the litigation risk would have been removed.

For this reason, some members of the health community regard the proposed settlement as a sell-out. They say the deal would leave US cigarette makers less heavily taxed and more lightly regulated than in most other developed countries.

Any deal will require the approval of the White House

Dade County Circuit Court, Florida. Their lead plaintiff is Mrs Norma Brin, 42, an American Airlines attendant who had part of a lung removed when diagnosed for lung cancer in 1989.

Mr and Mrs Rosenblatt

will try to prove second-hand smoke causes heart and lung disease, and will seek damages for the effects

on flight attendants who worked for US airlines before they banned smoking on most flights in 1990.

The tobacco industry is

expected to argue studies linking second-hand smoking with disease are "junk" science, and there is no statistical correlation between second-hand smoking and lung cancer.

The US tobacco industry faces another legal threat this week with the opening of a trial in which non-smoking flight attendants are seeking \$5bn compensation for illnesses they claim to have suffered from second-hand smoke in aircraft cabins, Richard Waters writes.

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NEWS: ASIA-PACIFIC

Bangkok tightens currency curbs

By Ted Bardecker
in Bangkok

Thailand's central bank has strengthened its prohibitions on a large number of foreign exchange transactions as currency traders in offshore markets scrambling to buy baht pushed the Thai currency to its highest level in almost two years.

The central bank yesterday issued a circular saying financial institutions should suspend currency and interest swaps, forward rate agreements or currency and

interest rate options. This, in effect, makes official its vague orders to local and foreign commercial banks in Thailand - made during the height of a speculative attack against the baht in mid-May - to stop selling baht to foreigners.

Selling baht to foreign clients through forward baht/dollar agreements is prohibited. The central bank also said financial institutions should pay for unmatured baht-denominated bills of exchange, promissory notes, certificates of deposit

and bonds in dollars only. The regulations are designed to prevent speculators from accumulating baht which they can then use to drive down the Thai currency by selling it.

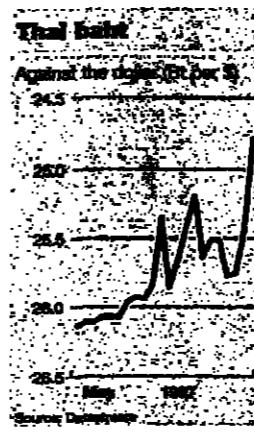
Traders in offshore centres of Singapore and Hong Kong said a large number of forward contracts were coming due this week and currency funds were in the spot market in search of baht to cover those positions. The swap market either has been shut down or is prohibitively expensive for those seeking

to roll over their positions. The baht yesterday closed stronger offshore at 24.80 to the dollar, compared with 25.05 on Friday and 25.85 in the domestic market yesterday.

The central bank circular said the prohibitions, described as "temporary", would not apply to transactions involving imports, exports, direct and equity investment. Financial institutions must report details of their foreign exchange transactions on a daily basis and retain documents for

even legal sales of baht.

When prohibitions were first instituted, banks in Thailand said their activities and those of their clients were still moving smoothly. But more treasury managers now say dealings with non-speculative clients are beginning to be hurt. Foreigners are finding it hard to hedge investments in the Thai stock market, while clients of export-oriented companies are refusing to provide a forward exchange rate on contracts to buy manufactured goods. If these conditions



ASIA-PACIFIC NEWS DIGEST

Competition for Australia Post

Australia Post, the country's public sector postal monopoly, may be opened to competition in mail delivery and a range of other services, the federal government announced yesterday. It said the remaining limits to competition with Australia Post would be examined by the National Competition Council (NCC), and the organisation's involvement in a number of ancillary business areas - such as financial and bill-paying agency arrangements - investigated. The review will take almost a year, with a final report due March 1998.

Australia Post has already been subject to "corporatisation", in an effort to put its operations on a more commercial footing, and ministers said yesterday that it had "responded well, providing a high-quality service with consistent productivity improvements". They added that the NCC had not been asked to look at the issue of Australia Post's ownership - in effect ruling out privatisation.

Nikki Tait, Sydney

UK will not invite Burma

There are no plans to invite Burma to take part in next year's Asia-Europe summit in the UK, in spite of its admission to the Association of South-east Asian Nations (Asean), the British Foreign Office said yesterday. Participation by Asian states is not automatic, and, since European Union countries bar entry to Burmese ministers, it would be difficult to include them, a spokesman said.

Whether Burma is invited could depend on action it takes to improve its record on democracy and human rights, but the question of enlarging the Asia-Europe group is only due to be taken up at the summit meeting itself. Europe strongly supports the inclusion of Australia and New Zealand, as well as India and Pakistan, although this has been resisted by some Asian countries.

The EU said in a statement it hoped for continued co-operation between Europe and Asia, but it said the situation in Burma with regard to human rights and democratic principles was "of serious concern to the international community". Peter Montagnon, Asia Editor

Editorial Comment, Page 13

Julius Chan plans PNG return

Sir Julius Chan, who was forced to step down as Papua New Guinea's prime minister in late March, yesterday announced he was resuming the job, claiming to have been cleared by a judicial inquiry into the Bougainville mercenaries affair. His announcement comes just two weeks before PNG votes in a general election. Mr John Gibson, who replaced Sir Julius three months ago, had been expected to continue as acting prime minister until the poll was over and a new prime minister selected.

Mr Gibson raised questions over Sir Julius's decision, saying his own appointment was "legally binding, and the prerogative is mine to vacate the office". He added: "I will stay on it means preventing the country facing a similar crisis it experienced at the height of the Sandline crisis."

Sir Julius stood down after days of civil unrest in Port Moresby in late March. The crisis had been triggered when Brig Gen Jerry Singirok, then head of the armed forces, announced the army had lost confidence in the government after its decision to employ Sandline, a UK-based firm of military consultants, to quell secessionists rebels on the copper-rich island of Bougainville.

Nikki Tait and agencies, Sydney

Vietnam fraud probe death

Vietnam's biggest fraud scandal took a grisly turn yesterday when a senior executive at a heavily indebted textile company was found dead on the roof of a state-owned bank in Ho Chi Minh City. The body of Mr Nguyen Van Ha, deputy finance director at the troubled Minh Phung company, showed signs of mutilation, including rope marks around the neck, police said. They declined to say whether he had been murdered or whether the case was one of suicide.

The case comes at a time of growing concern about the spread of mafia-style dealings that pervade the country's fledgling private sector, particularly in the free-wheeling south. Minh Phung has been under police investigation since the arrest of its boss and 22 other company officials on suspected corruption charges. The arrests have been put at about \$50m, a huge sum for any Vietnamese company. Some of the money is thought to be owed as a result of failed property deals.

Jeremy Grant, Hanoi

Malaysian ministers called in over funds loss

By James Kyne in Kuala Lumpur

Mr Anwar Ibrahim, Malaysia's acting prime minister, yesterday ordered two cabinet ministers to explain the alleged misuse of M\$500m (US\$240m), in the latest in a series of moves against improper practices.

A senior official in the primary industries ministry confirmed that the funds had been used to buy property and not for their intended purpose of planting rubber trees.

The diversion of funds affected the livelihood of about 300,000 people. The official said the so-called Ronda Replanting fund, set up to promote rubber cultivation, was now empty.

Mr Lim Keng Yik, minister for primary industries and one of the two ministers summoned by Mr Ibrahim, alleged the M\$500m Ronda fund had been used for the purchase of "non-beneficial" assets.

The second man ordered to provide an explanation was Mr Anuar Musa, minister of the rural

development ministry responsible for administering the money held in the fund.

Malaysia has shown signs recently of cracking down on rising official corruption, which has been roundly criticised by both Dr Mahathir Mohamad, the prime minister, who is on leave overseas until next month, and Mr Anwar. Some observers suggest that Mr Anwar is taking advantage of his stint as acting prime minister to burnish his anti-corruption credentials, thereby increasing his chances of eventually succeeding Dr Mahathir.

In a separate development, the national Anti-Corruption Agency (ACA) yesterday charged Mr Azman Abdul Chani, an aide to the former chief minister of Malacca state, with receiving a Mercedes car for his role in approving a local project. The ACA is also looking for a second senior official connected with the case. Another senior Malacca state

official, Mr Sahar Arpan, was arrested for allegedly receiving a M\$500,000 bribe to approve applications for the purchase of two lots of prime land.

Critics say official corruption is too easily concealed in Malaysia, where large contracts are regularly awarded without open tender, there is no "full disclosure" requirement for public companies and compliant media are discouraged from investigating official misdemeanours.

Australians shrink their welcome mat

Immigration has been cut but opinions divide on whether that's a good idea, writes Nikki Tait

The poster in a Sydney immigration office declares: "Welcome to our family." However, to some people in the lengthening queue of would-be Australians the sentiment might seem inappropriate.

For the second time since gaining office 14 months ago, Australia's conservative federal government has cut the country's immigration intake. Only 63,000 people will be admitted under the formal "migration programme" in 1997/98, 8 per cent down on the current year and fewer than half the 140,000 in 1989/90.

While the total number of "settler" arrivals will be higher than last year - partly because of an additional, unchanged "humanitarian" programme of 12,000 places - the overall intake will be well down on the 145,300 in 1988/89, the last peak in the current cycle.

The decision to squeeze migrant numbers owes much to the controversial independent MP, Ms Pauline Hanson. Last year she claimed Australia was in danger of being "swamped by Asians" and went on to form her own "One Nation" party, though she has since retreated from her more extreme statements.

Ms Hanson's enduring claim is that Australia cannot tolerate current migration levels when it has an

unemployment rate close to 9 per cent. On this at least her views echo those of many other Australians. A recent AGB-McNair poll, for example, found that 65 per cent thought immigration levels too high, with unemployment cited as the main reason for that view.

Even Mr John Howard, the country's poll-sensitive prime minister, has expressed sympathy for the linkage. "Those who say [migration] is beneficial for employment levels are in my view locked into the paradigm of the 1950s and 1960s, and they don't understand the globalisation forces that are... impacting on the Australian economy in the 1990s," he said recently.

Such statements have much of the country's academic community up in arms. The most frequently cited review of migration's impact on the economy was carried out by Mr William Foster, a University of Melbourne statistician, for the federal Department of Immigration last year. It looked at numerous empirical studies, and concluded that "popular fears that immigration pressures down wages and/or adds to the unemployment rate" were "unfounded".

His argument rested largely on an assessment of the "demand" implications of an active immigration programme, as well as the labour supply effects. Immigration's impact on spending patterns, for example, tended to expand the

national economy, while significant savings were brought in by new migrants - up to an average of A\$141,900 (US\$108,000) for "business migrants" according to one set of data for the late-1980s. Although new migrants increased demand for education, they tended to lower demand for health and social security services.

As for the labour market, Mr Foster decided that even here immigration probably had a "marginally favourable" effect on the aggregate unemployment rate.

"Given that the overseas-born have a higher unemployment rate than the Australian-born, it would appear that immigration has actually enhanced the employment prospects and tended to lower the unemployment rate of Australia's non-immigrants," he argued.

In the view of Professor Glyn Withers, at Australian National University in Canberra: "Just about every new migrant adds as many jobs as they take. I really haven't found a reputable study that shows anything different."

His explanation for the diametrically opposed public perception is that the "average" Australian tends to see new migrants gaining jobs, but fails to notice the less tangible demand forces.

Regionalised problems may also distort public understanding of the issue. Ironically, as Prof Withers points out, immigration patterns in such areas tend to achieve reasonable convergence in views about the appropriate size of Australia's population and hence immigration targets," it said earlier this year. But it continued: "A sustained, positive level of immigration supports economic growth, and hence improvement of our living standards."

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The Financial Times plans to publish a Survey on

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or Paul Maraviglia

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FT Surveys

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES				JAPAN				GERMANY			
	Narrow Money (%)	Broad Money (%)	Short Interest Rate (%)	Long Interest Rate (%)	Narrow Money (%)	Broad Money (%)	Short Interest Rate (%)	Long Interest Rate (%)	Narrow Money (%)	Broad Money (%)	Short Interest Rate (%)	Long Interest Rate (%)
1987	11.5	6.5	8.82	8.39	3.12	10.5	11.5	4.15	4.54	0.55	9.0	7.3
1988	4.2	5.4	7.65	8.84	3.61	8.4	10.4	4.43	4.77	0.54	8.5	6.4
1989	1.0	4.2	8.59	8.50	3.43	4.1	10.6	5.31	5.15	0.48	6.3	5.7

IGC faces proposals on competition protection

By Andrew Fisher in Frankfurt and Emma Tucker in Brussels

Germany and France have proposed changes to the European Union's founding treaty aimed at protecting public sector banking and other services from full competition by enshrining their status and privileges in European law.

Both countries have tabled amendments for discussion by the intergovernmental conference (IGC) on treaty changes now meeting in Brussels. This is due to conclude its work in mid-June at the EU summit in Amsterdam.

The German government, under pressure from the regional states (Länder), is seeking to extend the protection of public sector banks against further attack from the private banking sector by having their guarantee status written into the treaty.

This was strongly criticised yesterday by the German private sector banking association as "an incredible move". It said the government should drop the amendment, which would set a "dangerous precedent" by encouraging other EU member states to push for other treaty changes - "with negative consequences for the

EU's competition rules".

The proposal is one of several put forward by EU countries seeking to exclude whole economic sectors from competition rules. France has tabled draft proposals aimed at protecting public services, such as gas and electricity.

A Belgian proposal seeks the same treatment for public service broadcasters because they are "directly related to the democratic, social and cultural needs of each society and to the need to preserve media pluralism".

This has infuriated commercial television companies, which say

it would discriminate against private broadcasters. Mr Jan Moito, president of the Association of Commercial Television, said it went against the basis of the internal market rules "by pushing for the renationalisation of an entire services sector".

The attempt to protect Germany's Landesbanks - which provide financial services for state governments and local savings banks - has also outraged some diplomats in Brussels.

"The Germans just try to roll over us like a bulldozer without any democratic control whatsoever," said one. An EU banker

said: "The competitive consequences could be dire."

The banking association - whose members include Deutsche Bank, Dresdner Bank and Commerzbank - said the basic principles of free competition should not be sacrificed for the Landesbanks, which operate in the European single market in the same way as private sector banks.

Mr Wolfgang Arnold, deputy director of the association, said the German treaty proposal was "a discredit to Germany's position as a financial centre".

The effect of the banking protocol would be to secure the Landesbanks a lasting advantage by excluding their guarantee status from competition rules. This gives them in effect unlimited state backing, enabling them to obtain top credit ratings and borrow at the most favourable rates in capital markets.

The German amendment proposes that it would be up to EU governments "to determine how to make it possible for their territorial public authorities (Länder) to fulfil their task of providing in the regions an efficient financial infrastructure with coverage for the whole region".

Officials in Brussels fear the protocols could get caught up in horse-trading between member states as they thrash out treaty revisions which have to be agreed unanimously. Thus opposition from countries such as the UK might not be enough to prevent their inclusion.

German FDP calls for talks on gold row

By Ralph Atkins in Bonn and George Graham in Interlaken

Cracks emerged yesterday in the determination of Bonn government leaders to press ahead with revaluing Germany's gold reserves in the teeth of fierce Bundesbank opposition.

The Free Democratic party, junior members of Chancellor Helmut Kohl's coalition, was seeking urgent talks to reach an "amicable" agreement with the central bank. The call by

Mr Guido Westerwelle, FDP general secretary, was the first hint of a breach in the coalition's united front.

The Bundesbank last week condemned the government's plans to revalue the country's gold reserves to help meet the Maastricht criteria for European monetary union.

Adding to the nervousness was a warning from Mr Alois Glück, parliamentary leader of another coalition member, the Bavarian Christian Social Union, that Ems might have to be delayed. Mr

Glück, whose party is led by Mr Theo Waigel, the federal finance minister, emphasised the importance of a stable successor to the D-Mark.

In calling for talks, the FDP said it stood firm behind the principle of revaluing gold and other reserves, adding that the dispute with the Bundesbank was only over timing. Mr Waigel said he was prepared for talks, although finance ministry officials in Bonn indicated he was in no mood to climb down and said no appoint-

ment had been fixed with Mr Hans Tietmeyer, Bundesbank president.

The FDP's stance came against the backdrop of serious disputes within the coalition over Germany's mounting financial problems. An emergency meeting of coalition leaders on Sunday night failed to resolve difficulties over next year's budget. The FDP is opposing tax increases even though Mr Waigel has refused to rule out higher duties on goods including petrol.

In an excitable political

atmosphere, exacerbated by coalition worries about the impact of the French elections on European economic integration, Mr Kohl can

call to give a speech in Paris tomorrow. Instead, he will remain in Bonn, where Mr Waigel is due to give a statement to parliament on the revaluation.

The opposition Social Democratic and Green parties yesterday added to the pressure by announcing their intention to present motions backing the Bundesbank and demanding the

sacking of Mr Waigel.

Speaking to international bankers in the Swiss resort of Interlaken, Mr Kohl insisted that the gold revaluation was not an assault on the Bundesbank's independence. It was a step that would be necessary by 1999 at the latest to bring Germany's accounting treatment of its gold and foreign exchange reserves into line with other EU central banks.

"This is indisputably a matter for the legislator. On this point there is no difference of opinion," he said.



Waigel: prepared to talk, but in no mood to climb down

EUROPEAN NEWS DIGEST

Socialists on trial in Spain

The trial of Mr Luis Roldán, the disgraced head of Spain's paramilitary Guardia Civil corps, on charges of massive embezzlement began yesterday in Madrid.

It will be the first of several court hearings in the coming months tackling allegations of widespread corruption under the former Socialist party government.

Mr Roldán, a one-time Socialist party stalwart who in 1986 was the first civilian to be appointed director-general of the Guardia Civil, accused of embezzeling \$1bn (\$7.5m) during a seven year period running the national security force.

He spent 10 months on the run between April 1994, when he fled Spain, and February 1995, when he was arrested in Laos. His trial, which is expected to last several months, is likely to touch on issues such as the illegal financing of the then ruling Socialist party and government funding of a "dirty war" against suspected Basque separatists in the 1980s.

Separate corruption trials scheduled to appear before the courts will deal with slush funds allegedly set up by the Socialists; the alleged theft of security secrets by the former number two of Spain's intelligence service; and allegations that former Socialist security chiefs were directly involved with the "death squads" that fought Eta, the Basque separatist organisation.

Tom Burns, Madrid

Norway counts computer cost

Solving the millennium "bomb" will cost Norway's companies and public sector an estimated Nkr30bn (\$4.2bn), according to Norsk Brukergruppe, an association formed by Norwegian companies to tackle the millennium-end computing problem.

The worldwide problem is the consequence of software programming methods which store the year in a date as two digits rather than four - 97 rather than 1997, for example. Software using the two-digit convention will not be able to distinguish between dates in this century and the next.

As a result, companies will have to re-programme their computers to accept a four-digit field before 2000 to avoid computer chaos.

"A big Norwegian company will have to spend between Nkr50m and Nkr100m to make sure that its computers function in the year 2000," said a report by Norsk Brukergruppe quoted in the newspaper Dagens Næringsliv.

In total, Norwegian companies will have to spend around Nkr15bn and the public sector Nkr12bn to overcome the problem, according to reports. Reuter, Oslo

Goldsmith ill with cancer

Sir James Goldsmith, the Anglo-French entrepreneur, is critically ill with cancer in a hospital near Paris.

Mr Goldsmith, 64, who made a vast fortune as one of the most cool and astute corporate raiders of his time, first suffered pancreatic cancer in 1986. However, he kept his recurrence secret when he led his Referendum party in the six-week campaign for the British general election on May 1.

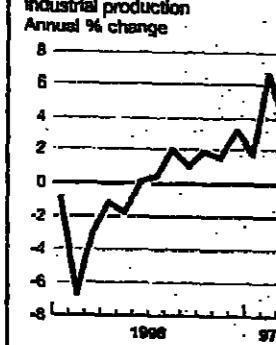
The party, campaigning against further European Union integration, won more than 800,000 votes but failed to win a single seat in the election. Reuter, Paris

ECONOMIC WATCH

German production rises

Germany

Industrial production Annual % change



German industrial output in the first quarter of the year rose 0.2 per cent above the final quarter of 1996, according to revised data from the Bundesbank.

Manufacturing industry was up 2 per cent and production of semi-finished goods 1.4 per cent. Durable and consumer goods increased by 3.2 per cent and capital goods output was up 2.1 per cent. The construction industry, however, showed a fall of 10.4 per cent. The central bank said industrial production in March was up 0.3 per cent from February; this compared with a provisional figure from the economy ministry of 0.5 per cent. The March figure for the west of the country was 0.5 per cent above the month before; the east was up 2.8 per cent.

AFT, Frankfurt

■ Sales of new cars in France fell by 23 per cent in May from a year earlier to 120,533 units, according to figures from the trade.

Since the beginning of the year sales have fallen to 691,465 units, 22.6 per cent lower than in the same period of last year.

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JULY 1997

NEWS: INTERNATIONAL

Campaign of violence hits voters' hopes

Roula Khalaf on the build-up to Thursday's poll in Algeria

Algeria's electoral campaign ended yesterday, marred by a spate of violent incidents and accusations of administrative bias towards a pro-government party.

Thursday's legislative elections are billed by the establishment as a return to democracy, following a democratic experiment which ended five years ago with the army's cancellation of elections about to be won by the now-banned Islamic Salvation Front (Fis).

Some opposition parties, however, see the election as an attempt to legitimise a military-backed regime, in part because a new constitution voted in last November stripped the national assembly of many of its powers.

For the three-week campaign period, however, Algerian parties have been allowed a period of free expression.

In the media and at rallies, the Socialist Forces Front (FFS) and the Workers' party (PT), the government's most strident critics, attacked its strategy of solving Algeria's five-year crisis by force and its human rights abuses.

They raised questions about the assassinations of leading political figures and warned that if the elections were rigged, as they expect them to be, Algerians would be called upon to take to the streets in a "pacifist revolution".

They were censored, however, when it came to referring to the cancellation of the 1991 elections as a "coup d'état". Statements that the violence had claimed over 120,000 lives were also deemed excessive by the government.

Peace topped the agenda of most parties, although few voters expect the poll to have an impact on the violence that has gripped the country since 1992.

Opposition parties accused the government of systematic assistance of the National Democratic Rally (RND), the establishment party which is expected to emerge as a dominant force in parliament.

The RND was formed three months ago to try to recapture the vote that went to Mr Lamine Zeroual, the former army general elected president in November 1995.

Algerians voted for Mr Zeroual because they saw him as a man of integrity who might be able to act independently from the army and bring peace to Algeria.

The RND has relied

heavily on the base of the National Liberation Front (FLN), the former ruling party blamed by Algerians for their social and economic woes. But it has tried to portray itself as a younger and more transparent version of the FLN.

The mood today in Algeria, however, is markedly different from late 1995. Many voters feel disappointed that the presidential elections did not bring an end to the violence, which still claims victims daily.

Economic reforms started in 1994, meanwhile, have exacerbated the social and economic problems.

Accusations against the RND range from its use of the national emblem in posters, banned under the elec-



Lamine Zeroual: RND trying to recapture his vote

toral rules, to the provision of government administrative support and facilitating rallies, while obstructing those of other parties.

Bias towards the RND has raised concern in Algiers that if the party fails on its own to win enough seats, the government will give it a boost on election day.

"The administration's tremendous support for the RND creates additional suspicion about how the elections will be conducted," said a western diplomat.

The other party that has attracted attention and attacks is the Movement for a Peaceful Society (MSP), the moderate Islamist party which used to be known as Hamas, and is expected to win a sizeable portion of the vote.

Like every other party, the MSP has been trying to woo the former Fis vote, despite being seen by Fis leaders as a government ally.

Sensing Hamas's appeal, government candidates running on the RND ticket last week went so far as to describe Mr Mahfoud Nahash, its leader, as nothing less than a terrorist.

Palestinians deny link to killing of land dealers

By Avi Nachash in Jerusalem

The Palestinian Authority yesterday denied involvement in the deaths of land dealers suspected of defying a Palestinian ban on selling land to Jews. The denial followed an Israeli announcement of measures to prevent more killings.

"The Palestinian Authority utterly denies... any links to the deaths of the three men," said Mr Ahmed Abdel Rahman, general secretary of the authority. He was referring to three Arab land dealers killed in recent weeks. The killings followed the authority's decision to revive a defunct Jordanian law invoking the death penalty against Palestinians who sell land to Jews.

The dispute highlights a struggle on both sides to assert sovereignty over land before the start of the final status talks which will focus on borders, settlements, Jerusalem and refugees.

Mr Benjamin Netanyahu, the Israeli prime minister, alleged that senior Palestinian officials had "openly encouraged these murders". Mr Netanyahu and Israeli security officials decided to step up efforts to prevent further killings and to seek additional arrest of suspects. But Israel stopped short of demanding an end to the killings as a prerequisite for the resumption of peace talks with the Palestinians.

Foreign investors favour Mideast manufacturers

By Samer Iskandar
In London

Foreign direct investment in the Middle East has been gradually deserting oil-producing countries in favour of economies offering investment opportunities in manufacturing and services, according to the United Nations.

Saudi Arabia, which used to see annual inflows of about \$5bn between 1988 and 1995, had received an average of \$700m in the first half of the 1990s, said the authors of a study published yesterday.

The mood today in Algeria, however, is markedly different from late 1995. Many voters feel disappointed that the presidential elections did not bring an end to the violence, which still claims victims daily.

Economic reforms started in 1994, meanwhile, have exacerbated the social and economic problems.

Accusations against the RND range from its use of the national emblem in posters, banned under the elec-

Conversely, inflows to Jordan have more than doubled in recent years, from \$54m a year between 1988-90 to \$12m in 1991-95.

The sectoral composition and direction of foreign direct investment (FDI) into west Asia is changing, moving away from the oil industry and into manufacturing and services, the report, produced by the United Nations Conference on Trade and Development, said.

In the early 1990s oil-producing economies received over 96 per cent of the total inflows to the region, but this had fallen to about 50

per cent by the mid-1990s.

Among non-oil producers, Israel stands out as a significant beneficiary of the new trend, with inflows rising by over 250 per cent from an annual average of \$165m in the second half of the 1990s to \$415m in the first half of this decade.

Iran however bucked the trend. In recent years the country has become a recipient of roughly \$41m annually in FDI, reversing annual outflows of \$148m in the late 1980s.

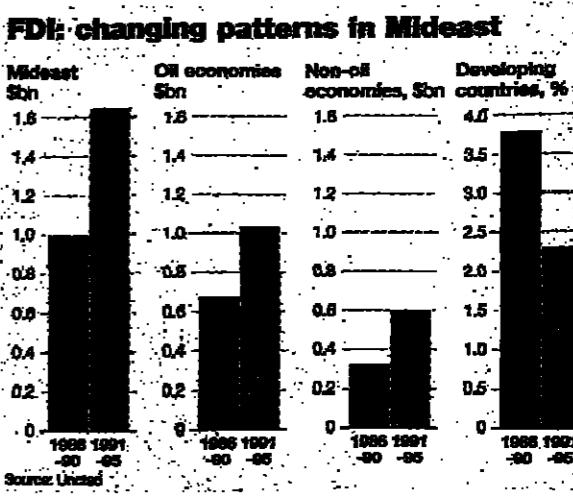
Mr Andrew Whitley of Unctad attributed this shift to the end of the war with

Iraq, as Iranians became less anxious to transfer their savings overseas.

The attractiveness of west Asian nations as FDI recipients is strongly dependent on market reforms. For example, Jordan's success in attracting investment is partly explained by a 1995 law scrapping legislation distinguishing Arabs from other investors.

"Improving their image to non-Arab investors has been a major objective of west Asian countries recently," the report said.

However, the pace of liberalisation has been slower



in the region than in other parts of the world.

In this respect, "FDI is attracted more strongly to the growing economies of east Asia," according to Mr Whitley.

West Asia's proportion of developing

nations has fallen to an average of 2.3 per cent in 1991-95, from 3.8 per cent in the preceding five years.

*World Investment Directory 1995, Volume VI, West Asia, United Nations Conference on Trade and Development.

Nigerian naval shells kill 12 in Sierra Leone

Nigerian gunboats bombarded Sierra Leone's capital Freetown yesterday and fighting raged between Nigerian troops intervening to reverse an eight-day-old coup and Sierra Leone soldiers and rebels allied to coup leaders, Reuter reports from Freetown.

Shelling killed 12 people in the

seaport Aberdeen district and terrified residents fled the area carrying bundles of possessions on their

heads. They said several more

civilians had been killed in cross-

fire.

Rebels massed around a hotel in

Aberdeen, guarded by Nigerian

troops where about 1,000 West Afri-

cans, Lebanese and Asians had

taken refuge. Hotel guests and

Nigerian soldiers said the

Nigerians were hopelessly outnum-

bered and the beach-side hotel near

the Sierra Leone military head-

quarters was about to be overrun.

In the city centre, Revolutionary

United Front (RUF) rebels and

Sierra Leone soldiers secured pos-

itions in anticipation of an attack.

A spokesman for the military gov-

ernment called on national radio

for protests against the interven-

"We Sierra Leoneans are at

the point of extinction, our beloved

country at the brink of disintegra-

tion," he said. "Let us take to the

streets now and say no to foreign

intervention."

Several thousand people waving

placards and bunches of leaves as a

sign of peace protested against the

Nigerians, saying they did not sup-

port the May 25 military coup, but

they opposed foreign interference.

Nigerian ships in the bay west of

Freetown began a bombardment at

daybreak after talks between

Nigerian and British diplomats and

the coup leaders at the seaport

military headquarters collapsed on

Sunday night.

Support for the coup among the

Sierra Leone military appears to be

concentrated among low-ranking

soldiers, who have borne the brunt

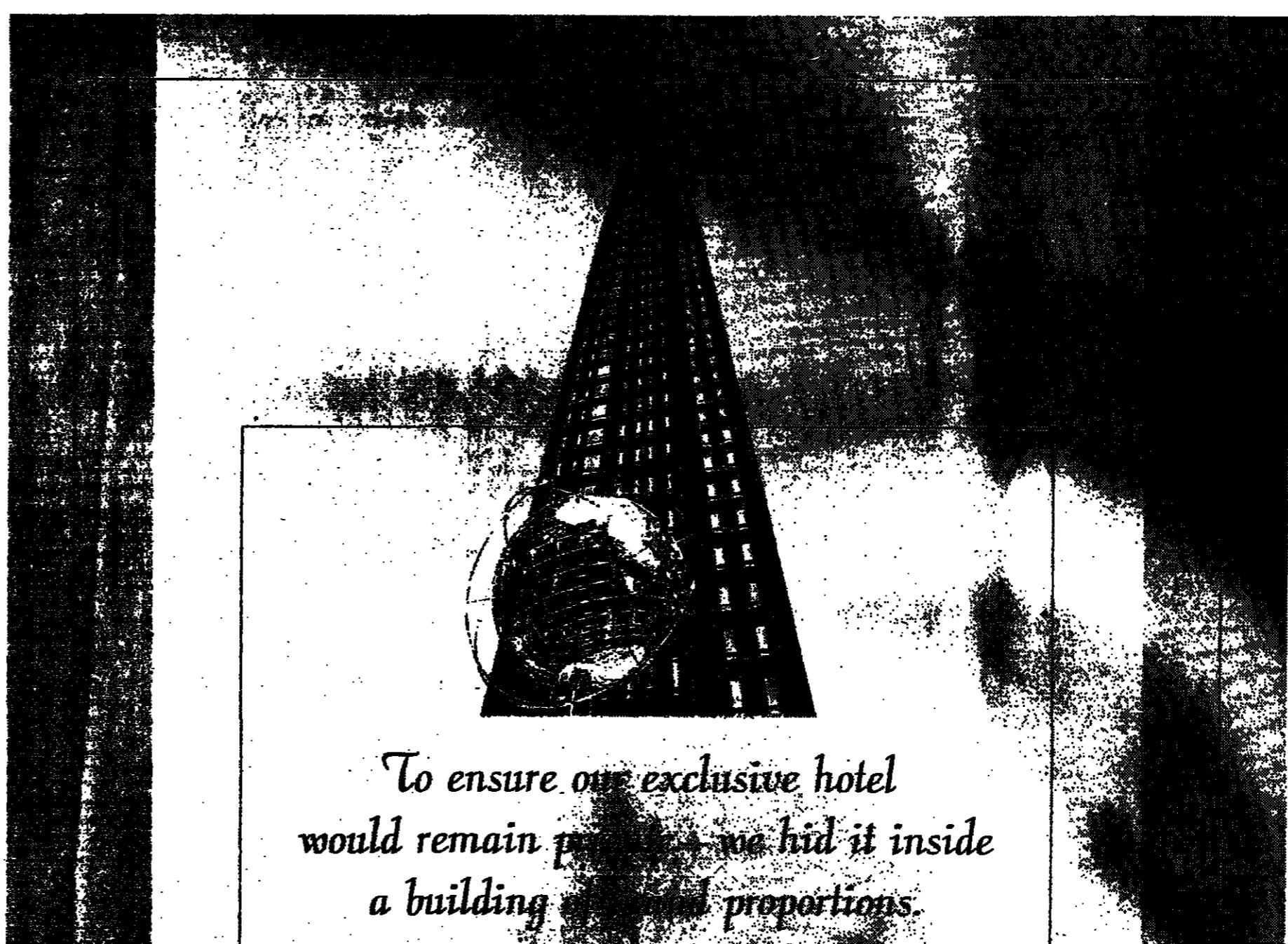
of spending cuts as part of plans to

scale down the army under the

peace accord and resent the

resources given to the civilian mil-

itia to fight the RUF.



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NEWS: UK

Monetary policy experts appointed as chancellor of the exchequer sets Budget date of July 2

Top economists to advise central bank

Financial Times Reporters

Mr Gordon Brown, the chancellor of the exchequer, yesterday appointed four leading economists without strong Labour party affiliations to help determine UK interest rates on the Bank of England's new monetary policy committee.

"The whole point was to take politics out of the process of setting interest rates," said a member of the government. Mr Brown also confirmed that his special summer budget, whose centrepiece will be measures to reduce youth and long-term unemployment, will be on July 2.

With backgrounds in academia, industry and the government machine, the appointees to the central bank committee are:

• Professor Charles Goodhart of the London School of Economics. Before taking up his post as Norman Sosnow professor of banking and finance at the school in 1985,

he served for 17 years as a monetary adviser at the Bank, becoming a chief adviser in 1980. Earlier he taught at Cambridge University and the London School of Economics. He will retain his post at the school while serving on the committee.

• Professor Willem Buiter, professor of international economics at Cambridge University, who was born in the Netherlands. Previously he held professorships at Yale, the London School of Economics and Bristol University, before which he taught as an assistant professor and lecturer at Princeton and the LSE.

• Sir Alan Budd, appointed chief economic adviser to the Treasury in 1981. He was previously group economic adviser at Barclays Bank from 1988 to 1991 after 14 years at the London Business School. Sir Alan has also held several outside posts including membership of the Securities and Investments Board,

The monetary policy committee yesterday came under pressure to raise interest rates, with purchasing managers reporting accelerating manufacturing activity in spite of weak export orders. Robert Chote writes. Manufacturing activity is growing at its fastest rate for two years, according to the latest monthly survey by the Chartered Institute of Purchasing and Supply. Factory output, order books and employment all grew more robustly in May than they did in the previous month.

Export order books continued to

grow, albeit at their slowest rate since the purchasing managers' survey began tracking overseas demand 17 months ago. With the strength of sterling bearing down on export orders, the institute said that UK consumers were the main source of new business for manufacturers.

Consumer credit rose by a net £681m (£1.12bn) in April, down from an increase of £793m in March. But gross consumer borrowing rose by £9.1bn in April, the biggest increase since records began in April 1988.

Export order books continued to

grow, albeit at their slowest rate since the purchasing managers' survey began tracking overseas demand 17 months ago. With the strength of sterling bearing down on export orders, the institute said that UK consumers were the main source of new business for manufacturers.

Their selection marks an important stage in the transfer of control over the setting of interest rates to the Bank of England, announced a month ago by Mr Brown.

Another important step in this process will be the disclosure in a speech by the chancellor later this month of the mechanism for making the newly-empowered Bank accountable to parliament for its performance in keeping inflation at the target rate of 2.5 per cent or less.

The committee will eventually comprise nine members: yesterday's four appointments, plus the Bank's governor, two deputy governors and the two executive directors responsible for monetary policy and market operations.

Editorial Comment, Page 13

Norway salmon deal gains industry approval

By Neil Buckley in Brussels and James Buxton in Edinburgh

A deal under which the European Commission will impose restrictions on Norwegian salmon exports last night gained approval from initially sceptical Scottish salmon industry leaders and UK ministers.

Commissioners voted late on Sunday night to accept the deal negotiated by Sir Leon Brittan, the trade commissioner. He had originally advocated anti-dumping

duties after Brussels found that Norwegian producers, helped by state subsidies, were flooding the European Union market with below-cost salmon.

The deal includes five-year undertakings from Norway to sell its salmon above a minimum price of Ecu3.25 (\$3.72) a kg, limits on export growth, an increase in Norway's own tax on salmon exporters and regular monitoring. Breaches would be punished by immediate tariffs.

Mr William Crowe, chief executive of the

Scottish Salmon Growers Association, said the enforcement measures would be extremely rigorous. "This time the Commission is determined to make its measures stick," he said.

But the plan to accept minimum price guarantees rather than impose 14.5 per cent duties split the Commission and provoked a bitter row between Sir Leon and fellow UK commissioner Mr Neil Kinnock, the transport commissioner, who said the deal was inadequate. It was backed by only 11 out of

17 commissioners present - the minimum required - with one abstention and five votes against, including Mr Kinnock. He blocked an earlier, less stringent version of the deal last Thursday, saying he was still "not convinced it protected UK producers against unfair competition".

Sir Leon said duties would have had to be confirmed by EU ministers after six months - and most had indicated they would oppose them. That made the five-year voluntary deal preferable.

UK NEWS DIGEST

Strike threat to BA operations

British Airways faces the threat of a strike by 9,000 ground staff, mainly at London's Heathrow and Gatwick airports. A trade union leader said the dispute might ground the airline in coming months. The Transport and General Workers' Union is to ballot baggage handlers, check-in employees, catering and clerical staff in a dispute over the contracting out of catering work. BA said it had contingency plans to deal with any industrial action and insisted it would continue to operate.

The result will be announced on June 30 and any action could start a month later. BA said there was no justification for a strike and hoped its staff would show common sense. "We have to call into question whether this is the action of a truly modern trade union," is said. The union is also balloting 9,000 BA cabin crew workers over a dispute about working practices.

Andrew Bolger

■ RAIL FREIGHT

Service aimed at rivalling road

High-speed train

A high-speed freight train service which claims to provide delivery times as fast as those achievable by road was launched yesterday by English Welsh & Scottish Railways, the UK rail freight offshoot of Wisconsin Central Transportation. The new service will involve trains running at speeds of up to 76mph (120kph) compared with the present maximum of 60mph (95kph) and will reduce the full north-south journey time from 12 hours to less than nine. This will permit average speeds of 50mph, which is comparable to road haulage, said Julian Worth, EWS business development manager. To meet growing demand, EWS is on the point of signing an agreement with Thrall Car, a US wagon manufacturer, to establish a UK factory to make between 500 and 1,000 wagons a year over the next five years. Charles Batchelor

■ NATIONAL LOTTERY

Chief offers charity payments

The dispute between Camelot, the consortium which operates the National Lottery, and the government over bonus payments to directors intensified last night. Sir George Russell, chairman of Camelot, yesterday offered to donate to charity a sum equal to the special long-term bonuses being given to top management. Mr Chris Smith, the chief minister responsible for the lottery, said he wanted to see the directors handing over "some or all" of their special bonuses to charity to meet what he believed was public anxiety over the directors' high earnings.

The members of Camelot are: Cadbury Schweppes, the UK food and drink group; De La Rue, the security printers; Racal Electronics; ICL, a UK offshoot of Fujitsu; and GTECH, the US lottery equipment supplier.

Camelot last week announced that total payments to 10 executive and non-executive directors for the year to the end of March had risen by 40 per cent to £2.35m (£3.61m). Raymond Snoddy

■ CJD DEATH

Case takes total to 17

A new case of the strain of Creutzfeldt-Jakob disease that is linked to bovine spongiform encephalopathy - mad cow disease - was reported yesterday by the Department of Health, the first in three months. It takes the total of confirmed and probable cases of new-variant CJD to 17. The latest victim has died, leaving only one of the 17 still alive. The number has risen slowly since the announcement in March last year that 10 cases of the new strain, which affects young adults, were probably linked to meat infected with BSE.

Alison Maitland

■ SHARE DEALING

Tradepoint moves on 'rumours'

Tradepoint, the electronic share dealing exchange, has completed an "interim financing", staving off its possible placing in the hands of an administrator. The company, whose shares are traded on the AIM market in London and on the Vancouver Stock Exchange, issued a terse statement yesterday after what it termed "market rumours". Mr Stephen Wilson, finance director, said the financing was necessary because plans for long-term finance could not be arranged in time to satisfy Tradepoint's bankers. Tradepoint is losing about \$450,000 (£735,500) a month.

Norma Cohen

AT&T to invest at least \$50m a year

By Alan Care in London

AT&T, the biggest US telecommunications company, is to invest between \$50m and \$100m in the UK annually for the foreseeable future, Mr Merrill Tutton, chief executive of AT&T(UK), said yesterday.

The expansion, which will see the establishment of new network operations and customer care centres, will create 250 jobs.

Mr Dennis Roth, chief operating officer, who will take over from Mr Tutton this year, said the UK was AT&T's "most significant market outside North America". AT&T(UK) launched a full range of service in the UK at the beginning of 1996 but has been reluctant until now to give details of its strategy.

It now claims more than 2,000 business customers and 15,000 residential customers. It expects to turn over about \$450m in the UK this year.

Revenues were growing at about 40 per cent a year, Mr Tutton said, but because of the cost of building its network and installing switches it does not expect to be profitable before 2000.

Calling volume on the company's ISDN network had grown 10 times in the past year and now stood at more than 1m a day, equivalent to 150 million minutes of use a month. The company says it is the biggest provider of outsourcing and communications services to the health sector. Mr Tutton said the company was in discussions at a European level with a number of other operators. These may lead to a strategic alliance or commercial partnership.

• GPT, the UK's biggest telecommunications equipment manufacturer, is creating 400 jobs to meet increasing international demand for advanced transmission systems. The company, in which GEC has a 60 per cent stake with Siemens of Germany holding the remainder, is looking for experienced engineers and graduates.

Mr Tony Lewis, recruitment co-ordinator manager for the company's public networks group, said: "Demand for telecommunications equipment started to pick up early in 1996 and it has now reached impressive levels".

The chief reason for expansion has been the success of the group's Synchronous Digital Hierarchy technology, a key component of high capacity information systems such as the internet. GPT says it has some 32 per cent of the world market for SDH systems.

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July 1997

ARTS

Trapped by the dying swan

Today's productions of Petipa's masterpiece are travesties, argues Clement Crisp



Exquisite: the Kirov divinity Aitynai Asymuratova, who triumphs over everything

Here is a dreadful statistic. Since its first Petersburg performance in 1885, *Swan Lake* has been staged in over 150 versions by more than 115 companies in 25 countries. These dire facts are a decade old, and not a day passes but somewhere, someone is still busy crafting yet another ramshackle coffin for what should be seen as a masterpiece, and is everywhere betrayed. In its latest manifestation - Derek Deane's arena production for English National Ballet which opened at the Royal Albert Hall on Thursday - it is a cross between the chariot race in *Ben Hur* and a pillow fight in the dorm. There is a great deal of rushing about, and feathers everywhere.

Swan Lake is no longer a ballet. It is a cliché, a collection of received ideas about "ballet" that are as wrong as they are dated. It is a fraud, an insult to Petipa and Ivanov (who made the choreography in 1891/95) and to Tchaikovsky, a trap for the unwary, both producers and audiences. It is the bait everyone knows, and hence money in the bank for a company presenting it. For Deane, determined to raise ENB's public profile, needing to play for time and audiences in the shamefully underfunded world of British ballet, it is a means of generating publicity, audiences, sponsorship (American Express backs the staging) and of pulling tricks that our dance companies must now use in order to survive. It is, on these terms, a clever coup. Artistically, it is a non-starter, unless your taste runs to gigantism.

Dance in the round is a denial of what traditional ballet is about. The old repertory demands a proscenium

arch because its choreography is constructed to have its focal point in the audience. Deane's problem with *Swan Lake* is to direct its action to an encircling public. So the dance shifts its focus, slowly rotating. As cleverly placed - Deane earns respect for how he has done it, if not for what he has done - yet it makes little impact. The orchestra plays on a rostrum below the organ (and Odette makes an unlikely appearance at the end of Act 3 in the organ loft, at which moment every dancer flees the stage as if anticipating that she is going to give us a time). We view regiments of peasants, courtiers and the sixty-something swans milling about - and there are far too many swans to make sense other than as an example of the kind of congestion usually seen among penguins in the antarctic. And as setting for this activity there are scores of ranks of faces. Theatrical illusion there is none. We are watching a display by obliging dancers in Peter Farmer's rather dull costumes, with few bits of rustic furniture (*Swan Garden-Centre*) for the first act, and red benches for the ballroom, gazing the while at the patrons across the arena.

Swan Lake is vastly more than this, as I know from two stagings (out of scores of hundreds) which honoured the ballet for what it again might be, even in today's circumstances. The Royal Ballet's 1940s version (magically designed by Leslie Hurry) and the Kirov production before the fall hand of Oleg Vinogradov was laid on it, told great truths. The texts were decent views of Ivanov/Petipa. The dance style had clarity and noble outlines that made the choreography sing. The atmosphere and setting were by turns lyrical and

haunted by tragedy. Tchaikovsky's elegiac poetry and the hierarchical world of the traditional ballet (of which *Swan Lake* is one of the grandest examples) were comprehensible. On these terms, which are still attainable, given love and respect for a company, *Swan Lake* can be not only the most popular but the most moving of ballets. Unlike much of the old repertory, it speaks of real emotion, of innocence destroyed, of love and sexual passion in conflict, of the pursuit of an ideal cast in terms of the near unattainable in human physique. (Odette/Odile is a beauty (and Asymuratova is the most beautiful woman in the world), and her last act a lyric tragedy. Her Siegfried was Roberto Bolle from Milan. He looks very young, and seems agreeable as a dancer. His characterisation in Act 1 amounted to little more than pronouncing his buttocks slowly round the arena. His dancing will be better judged in a theatre. Everyone else danced and danced and danced. Flash bulbs went off. Dry ice abounded. The programme book is flashy, ugly.

As an insight into *Swan Lake*, let me comment. Roland John Wiley's new book, *Lav Ivanov*, whose choreography for the lake-side has endowed *Swan Lake* with its imagery, is a figure almost unknown to us. Soviet writers inevitably proposed him as a Russian victim to Petipa's dominating foreign presence. Professor Wiley's *The Life and Ballets of Lev Ivanov* (OUP) offers a fascinating, scholarly study of his ballets and his life. A major figure is rescued from oblivion.

Asymuratova's performances in *Swan Lake* are sponsored by Churchill Inter-Continental, London.

Theatre/Ian Shuttleworth

Cherry Orchard moves south

Sometimes it seems all but impossible to see a production of one of Chekhov's major plays in English without the action having been relocated - to Ireland, as in works by Brian Friel and Frank McGuinness; to Wales, in Anthony Hopkins' stage and film versions of *August, 'n' Uncle Vanya*. It is difficult, however, to imagine a relocation which works as comprehensively as this *Cherry Orchard*, directed by Janet Suzman and adapted by her from an original South African version by Roger Martin, and presented by Birmingham Rep in a co-production with the Market Theatre of Johannesburg, where it will shortly be seen.

The Raneyks, the symbol of the waning Tzarist genre, become the Rademeyers, liberal Afrikaners whose place is likewise growing obsolete in the post-apartheid Free State where the house and estate stand; Lopakhin, the prosperous peasant farmer, is reincarnated as black entrepreneur Lebaka, who plans to build timeshare holiday homes where the orchard now stands; Trofimov the tutor is now Thekla, the "eternal student" and ANC activist, with the result that his relationship with younger daughter Anna is cross-racial. Most daringly, this version makes explicit the theory that adopted daughter Varya is the illegitimate child of the late Raneyks; here, Maria is the coloured offspring of Rademeyer and, one presumes, one of the estate workers.

The familiar Chekhovian tale

of the twilight of a well-intentioned but ultimately uncomprehending social order is given immediate relevance in the light of present-day transitional South Africa: personal relationships acquire an additional edge of poignancy for being painted in more directly understandable terms; the difference is between Pekka and Lebaka as to the way forward for the country to become palpably political rather than historic-philosophical. The language of the play bubbles vitally as phrases of Afrikaans and Sotho are fired off amid the English dialogue, and it is once again possible to play the last act convincingly as equal parts elegy and all-change hustle.

Etsie Kohler's Madame Ida Rademeyer is sentimental yet articulate, and Jack Klaff as her brother Leo Guyer is a mini-whirlwind in the form of a middle-aged duffer. Burt Caesar puts his resonant voice to good use as Lebaka, especially in his third act speech as the new owner of the estate, which threatens only for an instant to veer from straightforward triumph into revanchism; he is well matched by the passionate commitment, both political and personal, of Fana Mokoena as Thekla. All but three of Suzman's company are South African, and one feels almost physically the powerful determination of director and cast to do full justice both to Chekhov's play and the curse of the South African future which it now luminously portrays.

It is indeed one of the nice features of this summer show

The annual Royal Academy Summer Show, the 29th in unbroken succession since 1768, is the largest exhibition of a kind that no longer exists outside the British Isles. It shows the work of its members, up to six works apiece, alongside works selected from the open submission, up to three per artist. Run by artists in the interests of artists, in both principle and practice it lies at the very core of the academy's being: without the Summer Show, no matter how splendid its other shows throughout the year, there would be no Royal Academy, for the heart would have gone out of it.

This year some 1,200 works are shown, of which the academicians account for about 380. From an open submission of 11,286, 820 were selected. A thoroughly professional affair, it celebrates that broad stratum of professional engagement, from the objectively representational to the uncompromisingly abstract, which may not accord with current curatorial or commercial avant-garde fashion, but is the true strength and bed-rock of British art. That of course may be the trouble.

The show is quite as large as usual, for although one room was made unusable by the recent fire, architecture has been left out to make way for paintings. The hang was the work of a small committee led by Elizabeth Blackadder, whose own painting in Gallery III, "Dark Pool in the Alhambra", with its flicker of ornamental fish, is for me the best in the show. It is one of the oddities of modern reputation that attractiveness of subject-matter should somehow militate against serious recognition of the actual quality of the work. She is one of the best painters we have, and should have had her Tate retrospective years ago.

It is indeed one of the nice features of this summer show



'Point of Separation', a woodcut by Eileen Cooper on show at this year's Royal Academy Summer Exhibition

Bed-rock of British art flourishes

throughout that, while we may remark and welcome the presence of those academicians and their guests whose reputations have been made far beyond the academy itself, it is in fact the work of the more reticent though no less distinguished souls that comes shining through. The first room of all makes the point, with a huge white canvas by the German painter, Anselm Kiefer, stuck all over with sunflower seeds, on the left-hand wall. Yet the smaller, so freshly painted "Sunflowers" of Olwyn Bowey beside it, and the dark and subtle "False Flower" of Prunella Clough across the room, are really what hold the eye and catch the imagination. And how right that the late William Gear should have his true worth acknowledged, albeit posthumously, in such company.

Next door, Kiefer has surrounded himself with the token presence of his friends - a sharp early drawing of Francis Bacon by Lucian Freud; a plastic bottle by David Hockney; a charming tribute to the late Michael Andrews by Peter Blake; a Kessell drawing; an Auerbach head. But the large dark drawing of a seated figure by Leonard McComb, and Allen Jones's tough and clever "Catwalk", of skirts and paparazzi at a fashion show, are the best things in the room.

But it is an arbitrary, invidious business to pick things out in such a show, and if I name names it is only to say something of the quality and breadth of

interest of what is available - the prints of Norman Ackroyd, Jenny Dickson, Peter Freeth, Terry Frost, Chris Orr and Adrian Battye; the drawings of Holly Karr, John Maine and Victor Newsome; the sculpture of Bryan Kneale, Geraldine Knight, William Pye, the late Ivor Roberts-Jones, Nicola Hicks, Bernard Suddall and Katherine Gil.

There are any number of good paintings, from the abstraction of Sandra Blow, Noel Forster, John Holden, Paul Huxley and the late Alastair Grant (a more-than-deserved memorial tribute to a non-member), to the various figurative of Guy Cummins, John Bellany, John Ward, John Houston, Adrian Berg, Norman Adams,

Barbara Rae, Edward Fairfax-Lucy, Martin Brown, Ian Humphries, Stan Smith and Susan Wilson. I particularly liked Tom Coates's painting of a woman reading, Victoria Russell's seated woman, Tricia Gilligan's abstracted dream, Martin Brown's fish still-life and Ben Levene's lilies against a landscape. Norman Blamey's portrait of his son sitting in a corner, is the best of the figure paintings and an outstanding work by any measure. But see for yourself.

William Packer

The Royal Academy Summer Exhibition 1997: Burlington House, Piccadilly W1, until August 10; sponsored by Guiness plc.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-6718345
● Orkest van het Oosten; with conductor Jaap van Oosterom and pianist Niel van Oosterom in works by Mendelssohn; Jun 5

BERGAMO

CONCERT Teatro Donizetti Tel: 39-35 399 320
● Francesco Nicolosi; the pianist performs works by Liszt, Herz, Thalberg and Moscheles. Part of the Festival Planetario Internazionale di Brescia e Bergamo; Jun 4

BERLIN

CONCERT Konzerthaus Berlin Tel: 49-30-203090
● Ensemble Köln; with conductor Robert Platz and pianist Kristi Becker and Pi-Hsien Chen in works by Schoenberg and

BÖHMEN

BONN
Oper der Stadt Bonn Tel: 49-228-7281
● Nabucco; by Verdi. Conducted by Renato Palumbo, performed by the Orchester der Beethovenhalle Bonn and the Oper der Stadt Bonn. Soloists include Mauro Augustini, Alexander Spermann and Lucia Naviglio; Jun 4, 7

EDINBURGH

EXHIBITION Scottish National Gallery of Modern Art Tel: 44-131-5568921
● Picasso: Works from the Collection and Works on Loan: exhibition of 25 pieces from the Gallery's Picasso collection, together with three additional paintings on loan. Included in the display is a rare early collage work and a number of books containing watercolour sketches; to Jul 30

FRANKFURT

CONCERT Alte Oper Tel: 49-69-1340400
● Lützowisches Kammerorchester; with conductor Hans-Dieter Reisch in works by Haydn, Stravinsky and Mozart; Jun 4

LONDON

CONCERT Barbican Centre Tel: 44-171 382 7000
● London Symphony Orchestra

with conductor André Previn, soprano Anne-Marie Owens, sopranos Elizabeth Futral and Juanita Lascaro and baritone David Wilson-Johnson in works by Ravel; Jun 5
● St. Martin-in-the-Fields Church Tel: 44-171-9300089

CHAMBER Chamber Orchestra: with conductor Paul Manley in works by Handel, Pachelbel, Corelli, Vivaldi and Bach; Jun 5

DANCE London Coliseum Tel: 44-171 632 8300
● L'Allegro, il Penseroso ed il Moderato: choreographed by Mark Morris to music by Handel, performed by the Mark Morris Dance Group; Jun 5, 6, 7, 8, 9, 10

EXHIBITION Queen's Gallery Tel: 44-171-9304332
● Views of Windsor - Watercolours by Thomas and Paul Sandby: collection of works by the brothers who were important figures in the development of watercolour painting in England during the second half of the 18th century. The exhibition includes a number of Paul Sandby's best known views of Windsor Castle; to Jul 13

THEATRE Cottesloe Theatre Tel: 44-171-9282252
● King Lear by Shakespeare. Directed by Richard Eyre; to Jun 24

PARIS Musée du Louvre Tel: 33-1 40 20 50 50
● Centenary exhibition of the Society of Friends of the Louvre; to Jul 21

ROME Teatro dell'Opera di Roma Tel: 39-6-481601
● Il Barbieri di Siviglia; by Gioacchino Rossini

CONCERT Auditorium Nazionale Tel: 39-6-481601
● Il Barbieri di Siviglia; by Gioacchino Rossini

FUNDACIÓN JUAN MARCH Tel: 34-1-4354240

● Pedro Corral's performance by the cellist, accompanied by the pianist Manuel Carrasco. The programme includes works by Brahms; Jun 4

EXHIBITION

The Metropolitan Museum of Art Tel: 1-212-879-5500

● The Glory of Byzantium: major exhibition of the art of the middle period of the Byzantine Empire (from the mid-9th through to the mid-13th centuries), when Byzantium set a standard of imperial elegance for both contemporary Western Europe and the Islamic east; to Jul 6

THEATRE

Inter Théâtre Tel: 1-212 279 4200

● My Night With Reg; by Elyot. Directed by Jack Hofsiss. The cast includes Maxwell Caulfield, Ron Bagdon and David Cale (prev and date); from Jun 3 to Aug 31

EXHIBITION

Museo del Louvre Tel: 33-1 40 20 50 50

● Centenary exhibition of the Society of Friends of the Louvre; to Jul 21

THEATRE

Teatro dell'Opera di Roma Tel: 39-6-481601

● Il Barbieri di Siviglia; by Gioacchino Rossini

ROSSINI. Conducted by Hugo de Ana. Soloists include Bruno Pratico, Roberto Frontini and Ildebrando d'Arcangelo; Jun 8

EXHIBITION Fundación Juan March Tel: 34-1-4354240
● Pedro Corral's performance by the cellist, accompanied by the pianist Manuel Carrasco. The programme includes works by Brahms; Jun 4

SAN FRANCISCO

EXHIBITION Golden Gate Theatre Tel: 1-510-8714000

● Madame Butterfly; by Puccini. Conducted by Marco Armento and performed by the San Francisco Opera Orchestra and Opera Chorus. Soloists include soprano Rosalind Sutherland, mezzo-soprano Elizabeth Bishop and soprano Nicola Poland; from Jun 7 to Jun 29

THEATRE

Inter Théâtre Tel: 1-212 279 4200

● My Night With Reg; by Elyot. Directed by Jack Hofsiss. The cast includes Maxwell Caulfield, Ron Bagdon and David Cale (prev and date); from Jun 3 to Aug 31

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Teatro dell'Opera di Roma Tel: 39-6-481601

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COMMENT & ANALYSIS

Martin Wolf



Marshall's lasting legacy

The US post-war plan for Europe provided the lubricant for economic recovery, but the money donated by Washington was not itself decisive

that hypothesis was not

tested. Notwithstanding Marshall's astute statement that "our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos", Stalin rejected the plan. This decision led directly to the Soviet blockade of Berlin, the Berlin airlift, creation of West Germany and birth of Nato, the first permanent military alliance in US history.

Second, the Marshall plan demonstrated US awareness of the strategic primacy of economics. Nato would provide Europe's shield. But the necessary political stability could only be based on economic prosperity. That prosperity would be founded on the market economy, underpinned, it was hoped, by full employment. In the long run, the success of the west's market economies, based on multilateral trade and payments, won the cold war.

Third, the plan began the integration of western Europe. As Sir Alec Cairncross remarks, "only the Marshall plan could have produced the U-turn in French policy towards Germany which laid the basis for a Franco-German rapprochement, the Schuman

plan, and the foundation of the European Community". The plan was "Washington's main instrument in securing French acceptance of a West German state", in the words of David Reynolds of Christ's College, Cambridge, writing in the May/June issue of *Foreign Affairs*. Now this integration can be extended across the whole of Europe.

A success on so grand a scale has inevitably been scrutinised for lessons. But most analysts have concluded that those favourable conditions have not since existed anywhere else. Europe already possessed the needed skills, attitudes and institutions. It needed only a kick-start. Long-term development in countries lacking these preconditions has proved a far more intractable task.

While true, this answer is too glib. There are lessons to be learned. Perhaps the most important is that programmes of assistance must, in current parlance, be "owned" by the recipients. The US committed itself to supporting recovery programmes developed by the 14 European countries in concert. Yet the latter were also not left on their own. Joint institutions were created, notably the Organisation for European Economic Co-operation, later to become the Organisation for Economic Co-operation and Development. US support was itself organised in the Economic Co-operation Administration, which was to employ 630 Americans and more than 800 Europeans in the development and administration of programmes. Unhappily, no comparable joint intellectual effort was made in the former Soviet Union and central and eastern Europe after 1989.

Another lesson is that money is not itself decisive: it never is. Twenty-three per cent of the assistance went to the UK, which was the

largest single recipient. Yet the most dramatic recovery was in West Germany. Each country prospered to the extent that its domestic policies and attributes allowed it to do so. But the Plan did promote a framework of multilateral liberalisation, which led to a market-driven division of labour in western Europe.

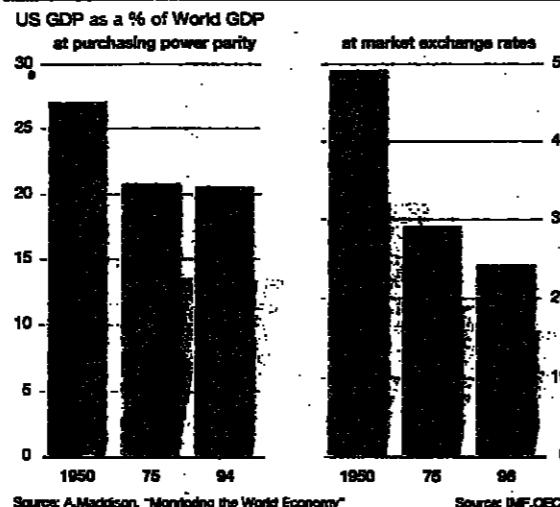
These lessons are important. But the anniversary also evokes rather different thoughts: gratitude to those whose wisdom created the peaceful Europe of today, gratitude, above all, to the US, indispensable guarantor of western security and freedom. Only the US had the resources and the values to do what needed to be done.

With victory in the cold war, today's challenges are both more diffuse and less urgent. The US may be the sole superpower, but it is no longer the preponderant power of 50 years ago. It needs allies. Foremost among them, inevitably, must be Europe. A serious concern must be whether a new Europe will define itself in opposition to the US. Such a Europe would not be worth having.

New challenges require new modalities. But whether it is coping with the stresses of globalisation, managing the global environment, dealing with rogue states or sustaining co-operative relations with new powers, the fundamental attributes of the plan remain relevant: US leadership, an intelligent European response and international co-operation.

Marshall argued that "with foresight and a willingness on the part of our people to face up to the vast responsibility which history has clearly placed upon our country, the difficulties I have outlined can and will be overcome". They were. Our duty is not to throw away what wise leaders then secured.

The declining weight of Uncle Sam



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Personal View • Jagdish Bhagwati

Short on trade vision

Clinton should build on the Uruguay Round and press the case for human rights

If we look to Washington for leadership on trade policy, as indeed we must, we should hold our breath. By ignoring opportunities, such as on a recent visit to Central America and the Caribbean, to make his stance clear, President Bill Clinton has begun his second term much as he started the first: sitting on the fence.

In his first term, Mr Clinton at length abandoned his caution, embracing trade liberalisation and winning victories on the North American Free Trade Agreement (Nafta) and on the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt), the forerunner to the World Trade Organisation. But now he seems paralysed.

He needs to provide a coherent trade policy, defined by both vision and an agenda, which rallies the free-traders behind it. At the same time, he must provide policies in pursuit of non-trade goals, for example on the environment and human rights. Currently activists in these areas focus on trade and end up opposing them.

Mr Clinton needs to declare that he supports fully the goal of multilateral free trade for the world economy. He should remind the US Congress and Americans that multilateralism is alive and well; that the Uruguay Round was successfully completed; the WTO is working, with its dispute-settlement mechanism strengthened and widely used; and that he has secured valuable multilateral agreements in information technology and telecommunications. These agreements, together with one expected soon in financial services, will be applauded by US export lobbies and therefore will meet no substantive obstacles in Congress.

In short, Mr Clinton can



Clinton ought to abandon drift towards Nafta-style deals

make a resounding case for the WTO-centred multilateral trading system that reflects well on half a century of US leadership. But he should then set his sights higher. He could have an electrifying effect if he announced a goal of worldwide free trade by a date such as 2015 - well into the next century to which he wishes to build a bridge - as many economists have advocated. Such a move would define a statesmanlike presidential vision without the requirement of getting Congress to sign up to it.

As the flip side to this embrace of a non-discriminatory, multilateral trade-liberalising agenda, Mr Clinton also needs to abandon his administration's drift towards preferential trade agreements, such as Nafta and its extension to Chile, and to the proposed Free Trade Area for the Americas. With protectionist anti-Nafta proponents such as Mr Ross Perot, the billionaire and former US presidential candidate, now off centre-stage, economists are increasingly saying what was unprintable in the 1980s - that free trade areas are really discriminatory trade agreements and that their proliferation is turning into a pox on the world trading system.

Mr Clinton also needs to address the demands for human rights and for the improvement of other nations' labour and environmental standards that intrude on the trade scene. It

is clearly a good idea to assert trans-border moral obligations and to identify with human rights in other countries. But the desire to link these objectives with trade, through the social clause at the WTO and setting environmental and labour standards preconditions during the fast-track renewal of trade treaties, implies cluttering up such treaties with new obstacles.

The human rights and social agenda would be better served, as I have little doubt the British government of Mr Tony Blair would agree, if it were separated from trade treaties and pursued energetically in other ways.

Thus in regard to improving labour standards and children's rights, for example, Mr Clinton should seek instead to enhance research capabilities at the International Labour Organisation and Unicef, the United Nations children's fund, in order to strengthen the ability to monitor and review each member state's conformity to all ILO conventions and to the entire Convention on the Child respectively.

On these lines, Mr Clinton could pursue a trade agenda that was ambitious in its pursuit of multilateral free trade but also practical in its pursuit of regional objectives and American values by non-trade means.

The author is a professor of economics and political science at Columbia University

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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No sense in strict 3% deficit as the magic figure for Emu

From Mr John Szemerey.

Sir, The late Mr Micawber must be laughing his head off. "I was right, you see," he will titter. "The difference between happiness and misery is a 0.2 per cent deficit of the gross domestic product! A 2.9 per cent deficit is fine and enables one to live in happiness and bliss, while a 3.1 per cent deficit condemns a country to chaos, misery, and eternal damnation."

Alas, for his momentary good cheer. Sooner or later a spoilsport will come along and remind him of article 104(c) of the Maastricht Treaty. This spells out that the objective of the Micawber criteria is to ensure that member governments respect normal monetary discipline and to discourage them from having excessive deficits or

- in simple English - from fervently over-spending. No one in his right mind would say that there is a magic figure on one side of which everything is right, and on the other side of which everything is wrong.

The 3 per cent deficit figure given in a protocol to the treaty is a target or a reference figure, to give governments something to aim at. But everyone knows (with the possible exception of some gentlemen in the Bundesbank) that a country's economic health and good monetary behaviour is judged by many more things than the ratio of a government's actual or planned deficit to GDP.

So even if a country has a higher deficit than the 3 per cent reference figure, under article 104(c) the Council can, after looking at "all

other relevant factors, including the medium-term economic and budgetary position of the member state", decide that there is no risk of an excessive deficit and the country can still join the European single currency area.

As Mr Helmut Schmidt said in Brussels last week, in pointing to the "absurdity" of a strict interpretation of the convergence criteria, if the US and Japan were European countries and wished to join the European single currency, they would be unable to do so if the criteria were applied strictly.

Mr Micawber, unbending financiers and nit-picking civil servants would be baffled.

John Szemerey,
76 Marnixlaan,
B-3090 Overijse, Belgium

UK border controls bad for business

From Mr Andrew Mitchell.

Sir, The government is demanding that the UK be allowed to retain border controls while other EU countries scrap their own. The rather eccentric argument used to support this position is that Britain is an island and therefore the number of entry points is limited by nature.

There is a more logical counter-argument which demonstrates that the UK could lose out economically if it retains identity checks while the rest of the EU allows freedom of movement. In such circumstances, it is certain that

other EU countries would reciprocate by demanding identity checks on travellers from the UK and one economically important group would be disadvantaged.

Users of corporate aircraft and air taxi, an increasingly popular mode of transport for executives in Europe, would be able to fly between a local airfield in France and one in Germany without hindrance. A flight from the UK to France, however, would have to make an intermediate landing at a customs airport adding inconvenience, cost and delay. Conducting business with Britain would be a real obstacle - they should

be corporate flying apart, if controls are retained, the UK will always be perceived as isolationist by the wider European business community. This could have more subtle negative effects on business decisions affecting the UK. The European single market needs complete freedom of movement and total transparency to function properly. Border controls are a real obstacle - they should go.

Andrew Mitchell,
chairman,
Michell Instruments,
Nuffield Close,
Cambridge CB4 1SS, UK

Bid folly should not penalise the victim

From Mr Donovan Winter.

Sir, Surely there is something badly amiss when it costs a company like Capital Corporation £3.6m to defend itself against a wanton predator like London Clubs International.

In this case it cost LCI a mere £1m to mount its

unwelcome and unworthy attack and, as usual, it is the victim which is worst penalised, the aggressor escaping relatively scot-free.

The only winners are, of course, the lawyers and the brokers, while it is the shareholders of Capital who suffer, left to pay the costs. This is quite intolerable and in such cases there should

be a City edict that an impudent highwayman should be obliged to pay the accumulated expenses of all parties for his folly, as in a court of law.

Donovan Winter,
7 St James House,
Kensington Square,
London W8 5RD, UK

Presidential politics in the UK

From Lord Wallace of Saltaire.

Sir, Ann Taylor, the new leader of the House of Commons, is contemplating a new department of the opposition with strong civil service back-up for the new Tory leader as part of plans to modernise Britain's parliament.

Over the past 20 years Britain has moved a long way from parliamentary government towards presidential politics. Mrs Thatcher's disregard for the conventions of cabinet government and for the give-and-take of parliamentary dialogue has been succeeded by the tightly controlled campaigning style of Mr Tony Blair, which suggests a presidential style in government.

The entrenchment of the role of the leader of the opposition, provided with resources not available to other MPs or to the leaders of contending opposition parties, would take us further down that - mistaken - road.

Parliament would become, even more than before, an adversarial arena for two contending leaders, with ranks of under-employed MPs as spectators.

Effective modernisation of the British parliament requires reforms which will broaden the ability of its different members - and of its several parties - to contribute to the development and the scrutiny of policy.

To build into the structure additional privileges for the leader of the largest opposition party seems particularly inappropriate in a parliament in which the 165 Conservative MPs represent a smaller share of the national vote than in any election since the first world war, to the disadvantage of the 75 MPs from seven other parties representing 20 per cent of the votes cast.

William Wallace,
House of Lords,
London SW1A OPW,
UK

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: +44 171-407 5700
Tuesday June 3 1997

A deciding moment

The events of the past week in France and Germany have shaken the European single currency project to its foundations. It is still possible to imagine monetary union taking place according to the Maastricht schedule. It is still possible to see it happening in line with the spirit of the convergence criteria. But it is getting very hard to imagine that it could manage both at the same time.

For some time, doubters about Emu have been silenced by the common commitment of Germany and France to the project. Chancellor Helmut Kohl, in effect, promised to persuade both the Bundesbank and the German people that they could safely give up their beloved D-mark. And France promised to make it easy for him, by agreeing to a tough interpretation of the Maastricht criteria.

Today, both sides of this tacit agreement lie in tatters. No one talks of cancelling the project altogether. Apart from that, however, the field is wide open.

One possibility would be a loosening of the Maastricht criteria and, with this, an expansion of the first wave of members to include (almost) any country that wants to join. That is apparently favoured by Mr Lionel Jospin, the socialist victor of the French elections.

Such an outcome cannot be entirely ruled out but it would be an immense gamble, both economically and politically.

Asean's burden

The decision by the Association of South-east Asian Nations to admit Burma, Cambodia and Laos at their annual meeting next month is one its members may come to regret.

The political chaos in Cambodia - where the parliament is incapable of passing any legislation and the cabinet has met only once since March - offered a splendid excuse for delay. Instead Asean has drifted into a decision that will weaken its international standing by forcing it to line up behind the Burma junta.

It will also be harder for the member states to reach a consensus on other pressing issues. To borrow from European vocabulary, Asean has chosen to make itself wider rather than deeper. Its ability to act as a stabilising force in the Pacific will be diminished as a result.

Asean officials privately advance two reasons for moving more quickly than originally expected. One is to cement the group and make it a stronger counterweight to China. Such an approach is understandable given Beijing's influence in Burma and that country's strategic importance.

The other motive is less defensible. It seems some members felt they had come under too much pressure from Washington to keep Burma out. Indonesia, in particular, felt that giving in to the US on this

issue might lay it open to pressure on East Timor. The harder the US pushed, the more Jospin was likely to resist. But the price will be considerable.

The episode revealed chinks in Asean's much-vaunted consensus. The Philippines and Thailand, two of its most democratic members, opposed Burma's entry. Asean may now find it much harder to speak with one voice on security issues such as China's claim to the Spratly Islands in the South China Sea.

The presence of three more very poor countries will make a mockery of its plans to set up a free-trade area. Integrating Vietnam into its economic arrangements has already proved extremely difficult.

Now will its accommodation of Burma necessarily encourage a trend towards openness and democracy in its member states. Indeed, Asean looks set to end up defending authoritarianism more vigorously to the outside world, forsaking its role as a bridge-builder between Asia and other continents.

That role would have called for discreet but firm pressure on Burma from its Asian peers, not accelerated admission to Asean.

Member governments could still usefully apply such pressure, but the chances are that they will not. South-east Asia as well as the rest of the world will be the loser.

Making it work

A month into government it would be unkind to be too hard on Mr Tony Blair's new administration. But the prime minister's much heralded welfare-to-work speech yesterday read more like one from a leader of the opposition.

It was long on diagnosis - the numbers of people reliant on benefit and on the way the system penalises those who take work if their partner is unemployed. It was high on rhetoric - that work is the best form of welfare, and on the new consensus which Mr Blair himself has helped form, which is that there are duties as well as rights within the welfare system.

It was correct in identifying that government must work more coherently - channelling funds that can come into deprived areas by a dozen different routes into effective programmes for work, education and a better environment.

But what it lacked for a speech so heavily trailed as the prime minister's first outside Westminster was any new initiatives. The outlines of Labour's welfare-to-work programme are well known. So is the intention to invite lone parents with school age children into benefit offices to explore the opportunities for work, and the plan to use lottery money for after school homework clubs.

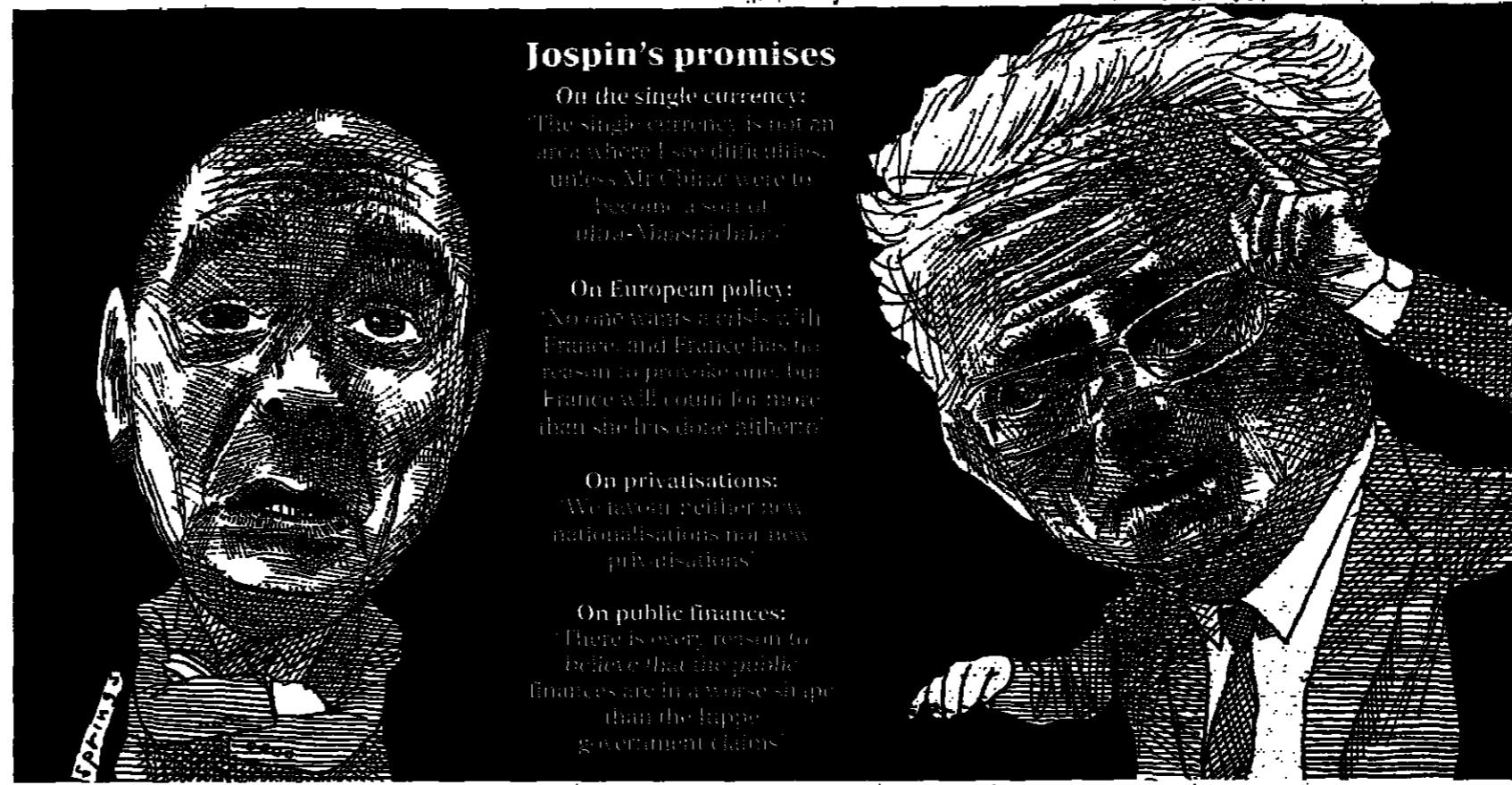
What is needed now is detail. The means by which aspiration it would be turned into action. How much lottery money to provide how many places? How will childcare be covered in school hours, not just after school in term-time, to make often low-paid work for more lone parents possible?

Just how can the benefit system be eased, other than at enormous cost and without introducing new disincentives to take full-time work, if the partners of the unemployed are to be able to take part-time or very low paid work? How can resources be shifted from policies which merely allow people to survive to ones which deliver effective prevention - another of Mr Blair's laudable aims?

This is the difficult stuff of government, hard issues which did not emerge yesterday but with which governments of both colours have grappled since the emerging problems with the UK's benefit system became plain three decades ago.

Mr Blair is, of course, right to set the tone of his government's approach: the feel of a new contract between taxpayers and those on benefit, the demand for government to be more imaginative, the need for a new ethic of responsibility from the haves as well as the have-nots. But this is government. The time is coming when diagnosis alone will not do. Details of the treatment will be needed.

What is needed now is detail.



Jospin's promises

On the single currency:
"The single currency is not an area where I see difficulties, unless Mr Chirac were to become a sort of Maastrichtish."

On European policy:
"No one wants a crisis with France, and France has no reason to provoke one, but France will count for more than she has done hitherto."

On privatisations:
"We haven't either new nationalisations nor new privatisations."

On public finances:
"There is every reason to believe that the public finances are in a worse shape than the budget government claims."

Uncomfortable bedfellows

Jacques Chirac must get used to life with Lionel Jospin, but a successful cohabitation is not impossible, says David Buchan

W ednesdays, the day when the French cabinet traditionally meets, are not going to be much fun for Mr Jospin anymore.

Presiding over a cabinet of his political enemies, the Gaullist president - whose decision to hold a snap election badly misfired - will be able to inject notes of complaint and caution about the left's legislative plans. These may well seek to scrap much of the political handiwork undertaken by the right over the past four years. But Mr Chirac will be unable to make his views prevail on Mr Lionel Jospin, the new prime minister, in areas outside the presidential preserves of foreign policy and defence.

The Socialists were yesterday still in campaign mode on economic and monetary union. Promising "Emu-without-tears", Mr François Hollande, the party spokesman, said: "You can have the single currency without policies of restricting public spending, without privatisation, without raising taxes."

The Socialists also object to Mr Chirac's attempt to reintegrate France into NATO's military command and have called for sweeping change in the policy towards Africa.

Yesterday there were some angry right-wing voices urging Mr Chirac to fight. The president should "meet combat with combat", wrote Mr Alain Peyrefitte, a former minister of General de Gaulle and editorial chief of *Le Figaro*. "Give it a year, and the state of the opinion will be such that the president will be able to appeal to the people, either with a new [parliamentary] dissolution or by provoking a snap election on the slogan of an *élan portugais* (a shared elan), and has to be done in the cold water of realism and disillusion," Mr Jospin says.

Even worse for Mr Chirac, he has brought this "cohabitation" upon himself. He must be bitterly replaying the past five weeks in his mind. He would have had one year less of "cohabitation" to endure had he let the National Assembly - elected with a big centre-right majority in 1993 - run its natural term until next March. Instead, he called a snap election on the slogan of an *élan portugais* (a shared elan), and has to be done in the cold water of realism and disillusion," Mr Jospin says.

As a holding measure, the incoming government has ordered an audit of public finances before a planned mid-summer budget. This budget is likely to include a redirection of employment subsidies to fund the 350,000 public-sector youth jobs that the left wants to create.

There will also be more money for education and a very small initial cut in value added tax. The latter would probably be balanced by scrapping some of the Juppé government's planned reduction of income tax and by some increase in taxes on savings and the assets of the rich.

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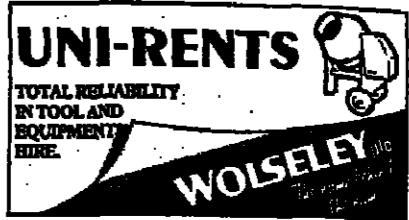
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FINANCIAL TIMES

Tuesday June 3 1997



Hanbo group founder is jailed for 15 years

By John Burton in Seoul

A South Korean court yesterday passed a 15-year jail sentence on the founder of the Hanbo steel group, which has been at the centre of a corruption scandal that has severely damaged the government of President Kim Young-sam.

The scandal has shattered the credibility of Mr Kim, who came to power promising to eradicate corruption, by exposing a web of bribery that included the recent arrest of his son for influence-peddling.

Opposition allegations that Mr Kim accepted up to \$100m from Hanbo during his 1992 presidential campaign have sparked four days of rioting in Seoul by militant students demanding the president step down. One riot policeman was killed and several severely injured last night in clashes at Hanyang University in Seoul.

In yesterday's judgment, Mr Chung Tae-soo was convicted of bribing senior government officials and bankers to acquire loans of nearly \$8bn in a futile effort to keep afloat the group's steelmaking unit, which went bankrupt in January bringing down most of the conglomerate.

Ten others were also convicted on embezzlement, bribery and fraud charges. They include a former cabinet minister, three government MPs and one from the opposition, three former bank presidents and Mr Chung's son, Hanbo's chairman. Nine received jail sentences of between three and seven years. The elder Mr Chung, 74,



Picture: Reuters

and his son were convicted of siphoning \$400m from the group and using it to bribe politicians to obtain loans from a banking system that is subject to strong government influence.

"Your wrongdoing has caused great shock to the Korean people, harm to the country's economy, and chaos in society," the chief judge told Mr Chung, who retired as a tax official in the 1970s to establish

Hanbo. Mr Chung's business career has been dogged by allegations of corrupt links with the government. He received a three-year suspended jail sentence in 1991 for bribing officials to acquire public land for a housing project in Seoul.

Last year, he was convicted of bribing the former president, Mr Roh Tae-woo, for business favours, although his sentence was quashed by an appeals court on a legal technicality.

A broad monetary union or no monetary union? After a week of upheaval in France and Germany, these seem to be the choices. Financial markets have little doubt that it is to be the former. The D-Mark has fallen as investors bet on it being replaced by a weaker currency. Bond markets in Italy and Spain – which would probably sneak into a broad monetary union – have been firm.

So far, so logical. Certainly, the Socialist victory in France is a vote for a weaker Euro. The unresolved issue is how this will wash in Germany. Chancellor Helmut Kohl will be loath to sanction delay: the best way of ensuring the safe birth of the euro is to preside over it himself. Mr Kohl has a strong incentive to be flexible with membership criteria.

But given the sceptical state of public opinion in Germany towards Euro, his room for manoeuvre is limited. If the Socialists preside over a deterioration in France's budget position, Euro will be hard to sell in Germany. Moreover, if the gold revaluation wheeze fails, Germany may itself fail to qualify for Maastricht – at least to the Bundesbank's satisfaction. Mr Kohl faces a delicate balancing act between a Bundesbank resisting a broad Euro and a new French government pressing for exactly that.

This makes for a tricky investment climate. So long as a broad Euro remains likely, "core" European currencies and bonds should be avoided. Meanwhile, high-yielding bonds, like Spain's and Italy's, offer some upside but not sufficient to outweigh the downside if Euro is delayed.

For equities, expected gains from looser fiscal policy could be offset by diminished commitment to structural reforms. But, for those keen to invest on the continent, German shares are probably the best bet: apart from fundamental attractions, if Euro looks like being derailed investors will scurry back to the safety of the D-Mark.

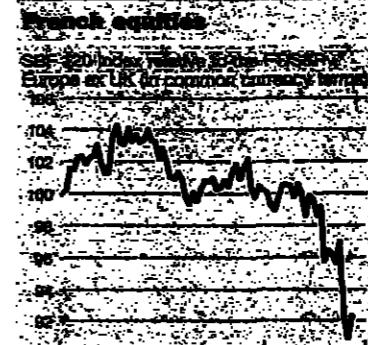
France

French markets' reaction to the Socialists' election victory looks dangerously complacent. Of course, French election pledges need to be consumed with particularly gigantic additions of self. And there are good reasons to expect Mr Lionel Jospin, the new prime minister, to reach an accommodation with pres-

THE LEX COLUMN

Bonding trouble

FTSE Eurotrack 200: 2355.5 (-7.9)



denly there is a nasty whiff of aggression in the air. Nippon Life's unilateral decision to increase bonuses – the first such rise in seven years – is a recognition of the need to woo customers as new rivals encroach on its formerly protected market. Non-life insurers, financially stronger than the life companies, have been allowed to write life policies since April 1996. And banks will probably be permitted to do so from next year.

Nippon Life is in pole position to break ranks. Not only is it the world's biggest life insurer, with assets of nearly \$40,000bn (\$343.26bn) and a commanding 22 per cent domestic market share, but it is also one of the few companies thought to be technically solvent in an industry suffering from low bond yields, a lacklustre stock market and bad debts – which were largely responsible for last month's collapse of Nissan Life.

It is not obvious, therefore, whether many of Nippon Life's peers will be able to follow suit. Most would probably have to raise new capital to shore up reserves; a lengthy process given their mutual status. Long before that, they might find themselves being gobbled up by the new kind of predatory bank holding companies that Fud Bank said yesterday it plans to become.

Halifax

Does history repeat itself? Not, it would appear, in bank stocks. The UK debut of Alliance & Leicester in April prompted a 20 per cent rally in bank stocks. But the flotation of Halifax is shaping up very differently. Not only did its debut prompt a large fall in the rest of the sector but the share also finished at 734p, barely above the auction price. By contrast, A&L closed the first day 6 per cent above the auction price, and has traded higher since.

Halifax is unlikely to repeat the pattern, if only because the run-up in the sector ahead of the float saw it debut on a much higher rating than A&L. Indeed, the short term risk is clearly that the price may still go lower. Halifax is a fine institution with handsome prospects but it does not warrant the premium rating to Lloyds TSB – 12 per cent, on a price/earnings basis compared to 1996 earnings – currently enjoys.

Additional Lex note on Euro

Page 2

Amoco to sell 15% of reserves

Continued from Page 1

allows us to redeploy future capital from non-core areas to core producing regions, while improving the profitability and reducing the complexity and costs of our US operations," he added.

He said the "packages" would be attractive to regional players, which could combine them with other local assets, or could help new entrants to the industry establish a foothold in important regional markets.

The US energy industry is restructuring and last year assets worth an estimated \$70bn changed hands.

Most activity has been focused in refining and marketing, although gas assets have also become more attractive as a result of impending deregulation of the electricity generating and distribution industry.

El Al sale may be hindered by ban on Sabbath flying

By Judy Dempsey in Jerusalem

An Israeli government commission yesterday backed far-reaching proposals for the privatisation of El Al, the state-owned national airline.

But it insisted on an on the company's aircraft flying on the Sabbath – from sunset on Friday to dusk on Saturday – would not be lifted before the listing on the Tel Aviv Stock Exchange.

That raises questions about the ability of the loss-making airline to compete internationally.

The privatisation plans, drawn up by a special committee and presented to Mr Benjamin Netanyahu, the prime minister, recommended selling the airline to the Israeli public by the end of next year.

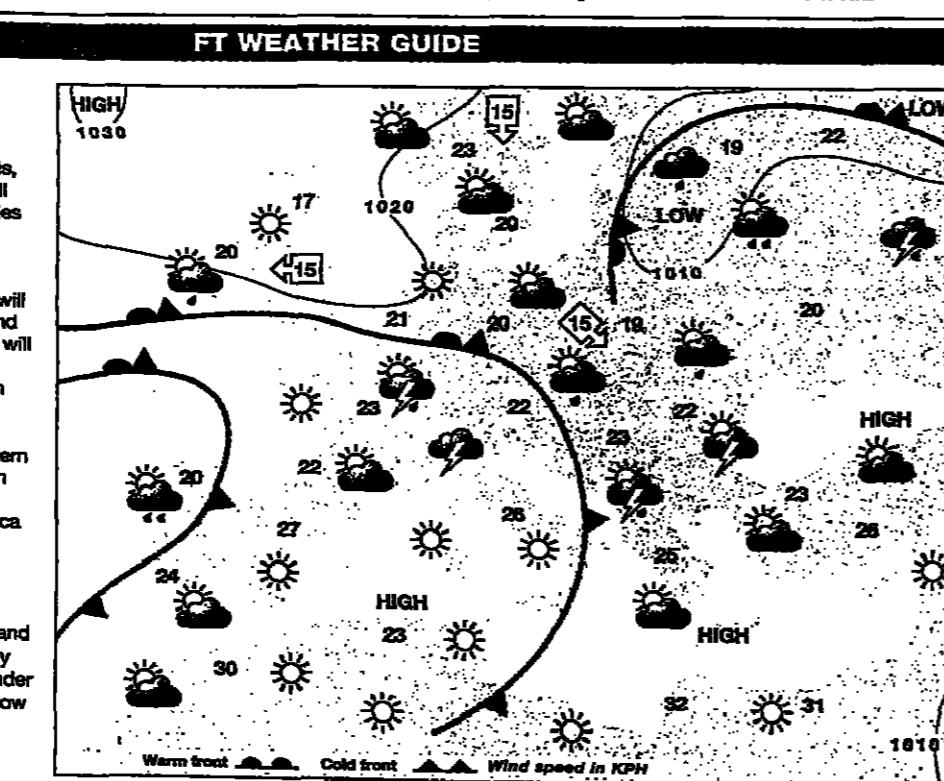
Employees would be offered 10 per cent of the shares at a 30 per cent discount. Mr Joel

Feldshuh, president of El Al, said it was still unclear what percentage of shares would be allocated to institutional investors but the majority would remain in Israeli hands. El Al's book value is estimated at \$300m.

The decision to sell the company to the public has highlighted the future composition of the shareholders. They will have to decide whether El Al will eventually fly on the Sabbath, and improve its chances of becoming profitable, or remain hamstrung by pressure from the ultra-Orthodox religious communities which are powerful in the conservative Likud government coalition.

"This is not an economic decision. It's a government one," said Ms Zippi Livni, head of the government's privatisation office, adding that she did not expect substantial privatisation receipts.

Analysts said El Al's management faced an uphill struggle. "The unions will oppose working on the Sabbath," said Ms Debra Kodish, analyst at Zannex Securities. Ms Kodish said the company, even if it flew on the Sabbath, would face problems from non-Israeli airlines operating in and out of Israel on the Sabbath.



TODAY'S TEMPERATURES									
Maximum	Beijing	Paris	Faro	Madrid	Ist	Rangoon	Tunis	Thun	1030
Celsius	35	20	31	24	24	25	30	25	1030
Abu Dhabi	sun 38	Berlin	fair 23	Frankfurt	fair 24	Majorca	sun 25	Reykjavik	15
Accra	shower 20	Budapest	cloudy 20	Vienna	fair 24	Gibraltar	sun 25	Rio	20
Algiers	sun 27	Bern	cloudy 22	Glasgow	fair 22	Gibraltar	sun 25	Rome	22
Amsterdam	sun 21	Bermuda	shower 28	Cologne	fair 24	Glasgow	sun 25	St. Tropez	26
Athens	showers 29	Bogota	thunder 19	Dakar	fair 27	Hamburg	fair 21	Malta	27
Atlanta	sun 29	Bombay	fair 33	Dallas	fair 27	Helsinki	fair 21	Malta	28
B. Aires	fair 19	Bonnie	fair 23	Dakar	fair 30	Helsinki	fair 21	Malta	29
B. Jem	fair 20	Budapest	showers 20	Dakar	fair 30	Hong Kong	fair 31	Malta	30
Bangkok	thund 38	Chilean	cloudy 20	Dublin	fair 30	Honolulu	fair 31	Montreal	31
Barcelona	fair 23	Cape Town	sun 31	Dublin	fair 30	Istanbul	cloudy 24	Montreal	32

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FINANCIAL TIMES

COMPANIES & MARKETS

Tuesday June 3 1997

Week 23

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IN BRIEF

Lockheed forms Russian venture

Lockheed Martin has announced a joint venture that will give it a presence in the skies over large parts of the former Soviet states and southern Asia. The US aerospace and defence group said it had formed a joint venture with Intersputnik International Organisation of Space Communications, based in Russia, that will lead to the launch of communications satellites. Page 20

PepsiCo to restructure bottling division
PepsiCo, the US soft drinks and snacks company, plans to reorganise its North American soft drinks business by forming a separate unit to run its bottling operations, which had revenues last year of about \$6bn. Page 21

Japanese polystyrene units to merge
Mitsui Toatsu Chemicals and Sumitomo Chemical are to combine their polystyrene businesses to form the second-largest polystyrene maker in Japan. The move will create a company with revenues of Y250bn (\$215m). Page 17

Ruhrgas warns Brussels over proposals
Ruhrgas, the German gas distributor, warned that European Commission plans to liberalise the gas market would increase costs and reduce the security of supply in Germany. Page 16

Greek shipping tycoon dies
Mr George P. Livanos, who controlled Greece's biggest merchant shipping fleet, died at his Aegean home on Sunday. He was among the wealthiest, but least conspicuous, of the ship-owning generation known as the Golden Greeks. His fleet was valued at \$360m. Page 16

Siberian oil group reports flat profit
Surgutneftegaz, one of Siberia's biggest privatised oil producers, reported that profits and production for 1996, suggesting the Russian oil industry's sharp contraction has levelled off. Pre-tax profits were Rbs5.200bn (\$901m) on revenues up 9 per cent at Rbs25.800bn. Page 18

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El Al	14	St. Barbara Mines
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Enron	20	Sumitomo Chemicals
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Chief price changes yesterday

FRANKFURT (DM)			PARIS (FFP)		
Prices			Prices		
Gold & Silv.	171.2	+ 0.2	At Upde	903	+ 18
Udne	1230	+ 55	Parad Royal	320	+ 24.5
Pruning	455.5	+ 9.5	Synthetic	694	+ 18
Volkswagen	1721	+ 23			
Welt			Crane Orl	850	+ 15
Aldex	1500	- 15	Lugard	1205	- 10.5
Hornis	225	- 13	Valence	314.5	- 15.1
Accord	309	+ 45	Deutsche	850	+ 45
Asperg Fert	138	+ 26	Dea Bank	850	+ 45
Int Party Ed	30%	+ 2%	Deutsche	794	+ 34
Peals			Erste	619	+ 28
Alcatel	21%	- 1%	Euro	578	+ 27
Asic Ar	30	- 1%	Swiss	655	+ 35
Perf. Indus	31%	- 1%	Tokyo Gas	314	+ 17
Wilson			HSBC Hong Kong	233	- 20
Wilson			Crane Light	41.5	+ 2.5
Granpion TV	302.6	+ 40	Citic Pacific	41.5	+ 1.5
Reuter	273.0	+ 17	SKF Ptl	97.5	+ 2.5
Prud			Santé Ptl A	68.75	+ 4.75
Aldex Hdg	847.0	- 33	Wheel Hdg	33.4	+ 1.7
Benzins	1135	- 52			
Joe Dard Spt	271	- 55			
Perf. Inds	571%	- 26%	HSBC Hong Kong	233	- 20
			Hanover		
Reuter					
Asperg Hdg	18.25	+ 2.05	Advanc Agric	59.5	+ 5.5
Isca Inc	44.25	+ 3.25	STP & I	12.75	+ 1.25
Mondi Tech	16.5	+ 1.0	The Thompson	44.0	+ 4.0
Perf. Tech					
Elan Tech	25	- 0.5	Conf. Jacker	81.5	- 6.5
Gold & Gold	81.85	- 0.8	Perf. Inds	22.75	- 2.5
Interbank	42.25	- 0.55	TPI Polens	33.25	- 3.5

New York and Toronto prices at 12.30pm.

Conversion to holding company planned after lifting of 50-year ban

Fuji Bank may change status

By Gillian Tett in Tokyo

Fuji Bank, one of Japan's largest commercial banks, is hoping to become a holding company, as part of its preparations for Japan's "big bang" financial deregulation.

The decision follows a recent announcement by the Japanese government that the 50-year ban on holding companies will be lifted next spring. Other leading banks are considering similar steps.

The creation of holding companies could pave the way for significant restructuring of

Japan's financial sector. Large banks would have the opportunity to absorb weaker institutions and more flexibility to reduce staff numbers.

However, Fuji Bank would need to seek special government consent. Under the proposed holding company bill, groups with assets worth more than Y15,000bn (\$130bn) would need clearance under Japanese competition laws.

Fuji Bank had assets of Y50,196bn in September last year.

Mr Toru Hashimoto, Fuji Bank chairman, warned that the company was unlikely to take the step until the government had guaranteed that the tax regime would not penalise holding companies.

The latest draft of the government's plan for holding companies, approved by the cabinet in March, does not allow new holding companies to consolidate tax bills - offsetting one subsidiary's losses against the profits of another - as Japan's big banks wanted.

Although the government is considering changing the laws to permit consolidated taxation, it remains unclear

whether the changes will be made by the time the ban on holding companies is lifted next spring.

Holding companies were banned in Japan by the US administration after the second world war, in an attempt to avoid the re-emergence of the zaibatsu, industrial combines which were closely associated with the rise of militarism in Japan in the 1930s.

Other city banks, such as

Sanwa, and the country's largest long-term credit bank, the Industrial Bank of Japan, are considering similar moves. An IBI official said no firm decision had been made.

Turkey, China in D-Mark bond plan

By Edward Luce in London

Turkey and China yesterday announced plans to issue bonds denominated in D-Marks in what will be seen as a strong fillip for the German bond market ahead of the expected launch of European monetary union in 1999.

Turkey - which is expected to launch its DM1bn (\$850m) issue this week - is the latest in a growing number of high-profile emerging market issuers to offer bonds in D-Marks.

As well as Turkey, China is planning to issue a D-Mark bond of this size in 1999. China is planning to tap the German bond market for the first time in a decade, while Romania will today issue its debut bond in the German currency, offering DM300m-DM500m to investors.

Other borrowers to issue bonds for the first time in D-Marks in recent weeks include Slovenia, which launched a DM50m eurobond at the end of last month and Russia, which issued a DM2m bond in March. Lebanon also raised funds in D-Marks for the first time last week.

Despite growing worries over the timetable for EMU - reinforced by the left's victory in the French election - many borrowers from the emerging markets are still actively preparing for the new single Eurobond market.

According to bankers, they see the D-Mark as the closest proxy for the new currency. The recent weakness of the D-Mark against the dollar and sterling may increase its attraction to bond issuers.

"Emerging markets are issuing D-Mark-denominated bonds as the best way to establish credibility with European investors before monetary union," said an official at Commerzbank, which will lead Turkey's five-year bond with West Deutsche Landesbank.

The deals also reflect the growing interest of institutional and retail investors in higher yielding emerging market debt. "Germany has by far the broadest investor base for emerging market borrowers in Europe," added the banker at Commerzbank.

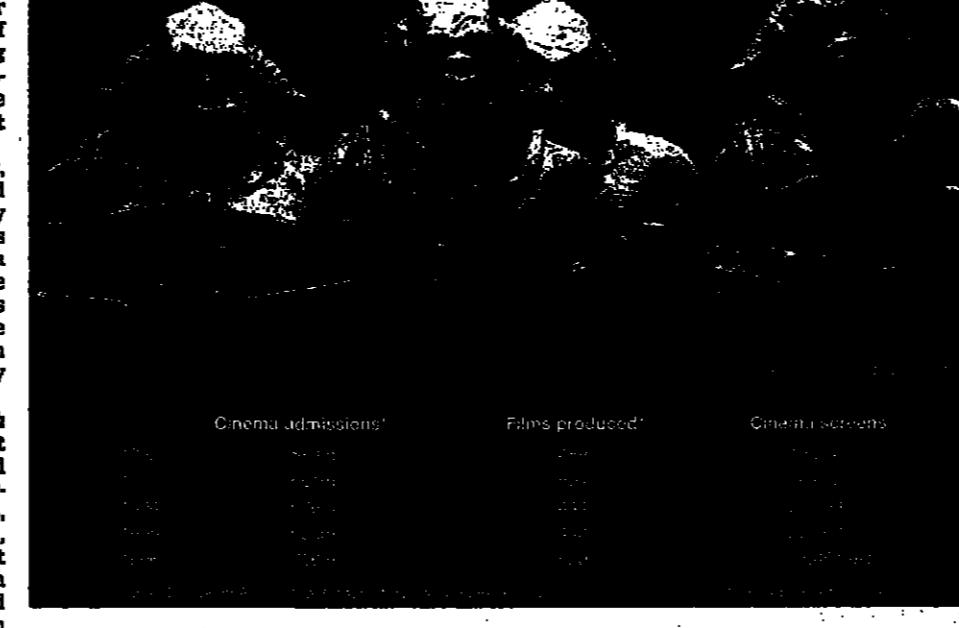
Bond syndicate officials say the D-Mark is likely to become increasingly popular for emerging market borrowers over the next 18 months.

Eurobonds, Page 26

Europe set to pass screen test

Alice Rawsthorn on initiatives helping to revive a continent's film industry

Europe assaults an expanding market



European Union in 1996, the highest since 1985.

The pace of cinema construction is accelerating. Dodoma expects another 2,000 screens to open by 2000. European-style films are also becoming more popular internationally, as illustrated by *The English Patient*, which has taken more than 200m.

Meanwhile, the European

COMPANIES AND FINANCE: EUROPE

Ruhrgas warns over liberalisation plans

By Peter Norman in Essen

Ruhrgas, the big German gas distributor, yesterday warned that European Commission plans to liberalise the gas market would increase costs and reduce the security of supply in Germany.

Taking issue with Brussels' proposals for mandatory third-party access to pipeline networks, Mr Friedrich Späth, Ruhrgas chief executive, said such a regulation would make it "more difficult, if not impossible" to conclude and

keep long term contracts with "take or pay" obligations.

Such contracts, which commit gas companies to taking a specified amount of gas at pre-determined prices over a long period, were necessary for the German gas sector to justify its high investments and associated risks, Mr Späth said.

He pointed out that Germany met only 20 per cent of its natural gas consumption from its own production and that over time as much as 90 per cent of its gas would have to be imported, policy would not result in permanent

nearly lower prices," he added.

EU energy ministers last week failed to agree on opening the EU's 300bn cu m gas market to competition, and left the Netherlands presidency to decide whether to call another meeting on June 24.

Ruhrgas, which is owned by three consortia belonging to German utility and engineering groups and international oil companies, has committed itself to long-term contracts on a massive scale. It has covered its forecast gas requirements until 2010, and its long-term

contracts for 1,250bn cu m of gas of high calorific value are about twice the UK's proven gas reserves.

The cold winter in 1996 enabled Ruhrgas to increase turnover last year for the first time since 1991. But while group turnover rose from DM13.66bn (\$8.5bn) in 1995 to DM15.21bn (\$9.5bn) in 1996, group net earnings advanced only slightly from DM635m to DM665m, reflecting the higher cost of gas and services. This year sales to the end of May are down 6 per cent in volume terms.

Staying power stands Gerber in good stead

Having engineered the group's recovery, at 68 the Roche chief shows no signs of easing off

Few chief executives of Fortune 500 companies would be confident enough to make the biggest acquisition in their company's history without the advice of a bevy of highly-paid investment bankers and lawyers.

But Roche's Mr Fritz Gerber, 68, who masterminded last week's \$1bn acquisition of Boehringer Mannheim, a family-controlled pharmaceuticals group, is one of them.

When he took over Roche in 1978, the company was facing the same sort of difficulties that forced Boehringer Mannheim to surrender its independence. It had failed to find a replacement for Valium, the world's first blockbuster drug, and it had squandered its profits from Valium on a series of ill-considered diversifications.

Mr Gerber cut costs, cancelled the more ambitious diversification moves and refocused the business.

It still took some time for Roche's heavy research effort to start producing successful drugs again. But eventually its research paid off, with a series of new drugs which have underpinned a 25 per cent a year growth in net income over the past decade. Roche's market capitalisation has jumped from SF110bn to SF110bn (\$77.5bn).

Mr Gerber belongs to a small clique of Swiss business leaders, such as Mr Helmut Maucher of Nestle, 68, and Credit Suisse's Mr

Rainer Gut, 64, who are often to be found around the same boardroom table. However, as the Boehringer Mannheim deal indicates, Mr Gerber shows no signs of preparing to bow out like his peers.

"I am aware of my age," he says, but adds: "I want to take Roche into the next century as a strong and fit player."

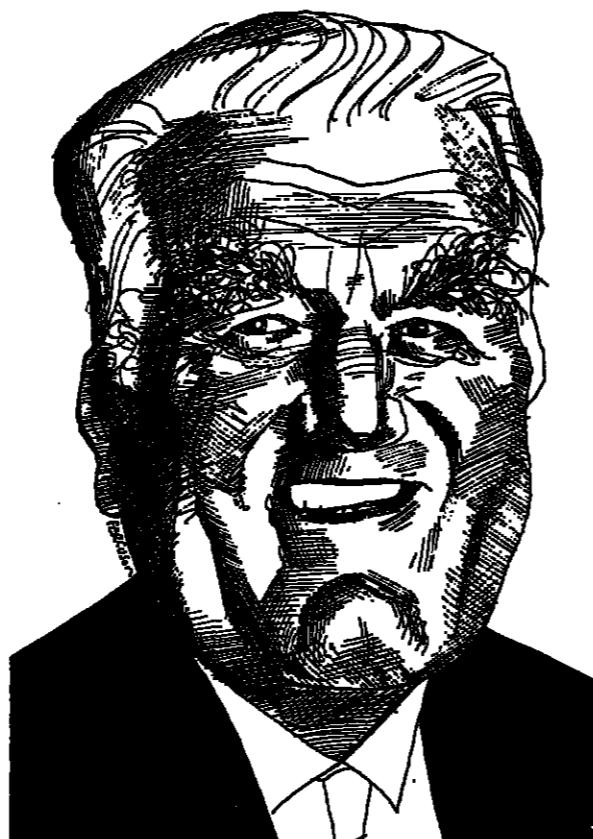
Mr Gerber comes from a humble background. His father was a furniture maker, and he worked his way through law school. It has been said that he inherited the best Swiss qualities – simplicity and toughness – while escaping the tendency for arrogance.

However, he has also been described as the "smiling stranger" on account of the way he can make or break the careers of his executives. Being tipped as the man most likely to succeed Mr Fritz Gerber has never been a passport to success at Roche.

Nevertheless, Mr Gerber has re-established Roche over the past decade as one of the world's most successful drug companies.

Diagnostics was one area of unfinished business for Mr Gerber. It is the smallest of Roche's four core businesses and accounts for less than 5 per cent of group sales, against 11 per cent 10 years ago.

Boehringer Mannheim quadruples the size of Roche's diagnostics business and fits Roche's strategy of



While acknowledging his age, Fritz Gerber has vowed to take Roche into the next century as a strong and fit player

being a leader in its core businesses. However, Mr Gerber's bid was driven as much by opportunistic considerations as strategic. He is a long-time friend of Mr Curt Engelhorn, 71, grandson of Boehringer Mannheim's founder, and its biggest shareholder, and had

watched the Engelhorn family's difficulties in solving its management succession problem.

An attempt to bring in professional managers in 1994 had back-fired and Mr Gerber knew some Engelhorns wanted out.

The initial idea was for

Roche to buy the shares of family members who wanted to sell. However, Mr Gerber wanted all or nothing, and refused to accept a suggestion that he should agree to no redundancies among Boehringer Mannheim's 18,000 staff.

As for the price, Mr Engelhorn wanted \$12bn, but accepted Mr Gerber's offer of \$1bn.

There are parallels between Roche and Boehringer Mannheim. Roche was founded in 1886 and is still controlled by its founding families.

Boehringer Mannheim, founded in 1851, is owned by four strands of the Engelhorn family. The difference is that Roche has mastered the trick of harnessing the benefits of professional management with the advantages of family control, which insulates it from the more unrealistic short-term demands of some institutional investors.

But had it not been for the arrival of Mr Fritz Gerber, Roche might well have suffered a similar fate to Boehringer Mannheim.

When Roche hired Mr Gerber in 1978 it was an act of desperation. Unlike Roche's previous four chairmen, he had never been involved with the company. Even more unusual, he was allowed to continue heading Zurich, Switzerland's second-biggest insurance group, for the next 17 years

– a period when Zurich prospered.

Mr Gerber's early years at Roche were not easy. New drugs were hard to find and Roche's share price in 1986 was 50 per cent below its peak of the early 1970s.

This attracted the attention of ICN Pharmaceuticals, a US predator, and although it was rebuffed the move highlighted Roche's vulnerability.

However, Mr Gerber persevered, cut costs and focused Roche on four core businesses in which it aspired to be a world leader.

"If there is no chance of getting there in a reasonable time, it is better to invest," says Mr Gerber – which explains why Roche paid \$2.1bn for Genentech in 1990, \$5.8bn for Syntex in 1994, and has now bought the world's second-biggest diagnostics company.

Today, Roche has one of the strongest new drug pipelines in the pharmaceuticals industry, and in its three other core businesses – vitamins and fine chemicals, flavours and fragrances, and now diagnostics – it is either number one or two.

Mr Gerber has yet to prove that, long-term, Roche's three smaller core businesses can be as successful as its biggest business – the manufacture and marketing of therapeutic drugs. However, he intends to be around long enough to ensure that they are.

William Hall

OBITUARY: George P. Livanos

Shipowner and environmental campaigner

Mr George P. Livanos, who controlled Greece's biggest merchant fleet ranging from super-tankers to hydrofoils carrying tourists to the Aegean Islands, died on Sunday after a long illness.

He was among the wealthiest but most inconspicuous of the ship-owning generation known as the Golden Greeks. The Livanos fleet consists of about 100 Greek-flag ships totalling 4.9m deadweight tons. It was valued in April at \$850m, a Greek banker said.

Mr Livanos, 74, differed from other Greek shipowners both in his appetite for undertaking long-term risk and by investing heavily in maintenance of his fleet of super-tankers, product carriers and "mini-bulkers", a class of small freighters he introduced to operate in shallow waters and river estuaries.

The hydrofoil services gave a boost to Greece's tourist industry by sharply reducing travelling times to popular islands near Athens and opening up remote coastlines for development. The Ceres hydrofoil fleet still provides a strong cash flow for the Livanos operations, although its near-monopoly position in the Aegean is being challenged by new catamarans which can cover longer distances at similar speeds.

Mr Livanos campaigned energetically for shipowners to take more responsibility for the marine environment, eventually persuading almost 30 per cent of Greek owners to join HELMEPA programmes for improving training and safety aboard tankers, which are partly funded by the European Union.

His son, Peter, took over day-to-day management three years ago of Ceres Hellenic Shipping Enterprises, a family-owned company based in Piraeus. He is expected to continue his father's policy of aggressive trading.

Kerin Hope

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COMPANIES AND FINANCE: ASIA-PACIFIC

ASIA-PACIFIC NEWS DIGEST

Fujitsu sells plant to reduce costs

Fujitsu, the Japanese computer and electronics company, is selling one of its domestic semiconductor plants to a Chinese company. It will continue to procure products from the plant to sell under its own brand.

Fujitsu sells its bipolar semiconductor production line at Atsu Wakamatsu in west-central Japan to Hua Yue Microelectronics, based in the Zhejiang Province, for an undisclosed sum. It said the shift to procurement from Hua Yue would enable it to benefit from the lower wage costs and utilities costs in China and to supply the Chinese market, which has seen stable demand over the past several years. Fujitsu, which has already started training workers from Hua Yue, believes it will be able to procure about 10,000 five-inch wafers per month of the chips, which are used in washing machines and audio equipment. The Japanese company has been contracting out front-end processing of logic chips to Hua Yue since 1995. Assembly of the chips is carried out in Japan and the final product is sold under the Fujitsu brand.

Japanese companies have been stepping up their investments in China's growing semiconductor market in the belief that China's semiconductor market will triple in size to \$14.7bn by 2000. Fujitsu also announced last week that it was setting up a joint venture semiconductor assembly plant with Nantong Huada Microelectronics to assemble microcomputers in Jiangsu province.

Michiyo Nakamoto, Tokyo

SingTel to cut overseas rates

Singapore Telecommunications, the island-state's biggest corporation, said yesterday it would cut its international direct dialling rates by up to 15 per cent from July 1.

The cuts, which come after an 18 per cent tariff reduction this year, are expected to result in savings of \$83m (US\$62.1m) for customers, the company said. "This round of rate cuts will place SingTel in an even more competitive position against foreign carriers," it added. SingTel will lose its monopoly to provide direct-line and IDD services from April 1 2000.

SingTel adjusts its IDD rates periodically against a basket of IDD rates from countries in the region. It also takes into account the strength of the US dollar against the Singapore dollar and the other regional currencies.

James Kyng, Kuala Lumpur

Bangkok Land profits slump

Bangkok Land, one of Thailand's largest residential property developers, said full-year net profits fell 99 per cent to Bt7.37m (\$265,700). The slump is the result of cash flow difficulties at the company's flagship Muang Thong Thani development on the outskirts of Bangkok.

Full details were not provided. But a recent report by ABN-Amro Hoare Govett put the company in the "almost bankrupt" category, with accounts receivable more than 100 times annualised revenues, profits less than 100 per cent of interest costs and profits less than 3 per cent of inventories. Recent attempts at a bail-out of the company via a move of parliament offices to the Muang Thong Thani site have failed, although the Defence Ministry is understood to be looking to house some of its employees there.

Ted Bardacke, Bangkok

CTII in construction buy

China Travel International Investment, the mainland-backed travel, tourism and investment group, is to pay HK\$466.39m (US\$60.2m) for a 51.66 per cent stake in Sun Fook Kong Holdings, a construction company also listed on the Hong Kong stock exchange. The purchase will be followed by a general takeover offer. It will spend a further HK\$7.38m on warrants carrying rights to subscribe for some 3.8 per cent of the Sun Fook's shares.

CTII has conditionally agreed to splitting the purchase with Mr Albert Chow, a former deputy managing director of Cheung Kong Holdings, the property developer controlled by Mr Li Ka-shing. Mr Chow will take 5 per cent of Sun Fook and, on completion of the deal, be appointed managing director. Mr Li has withdrawn from the offer and agreed to be a passive investor after the Hong Kong securities regulators ruled he was acting in concert with CTII and Mr Chow. CTII has also agreed to buy three subsidiary construction and housing companies for about HK\$384.29m.

The price being paid for SHK Holdings is HK\$1.08 a share, an 18.68 per cent premium to the unaudited consolidated net asset value of HK\$763.99m at March 31.

Louise Lucas, Hong Kong

Giordano fined HK93m

Giordano International, the Hong Kong-based clothing retail chain plagued by setbacks in its mainland operations, has been fined HK\$93m (US\$12m) for breaches of China's customs and commerce rules. The alleged breaches happened between 1992 and 1996.

Certain manufacturing units received penalty notices from the customs authorities, which alleged the improper transfer of duty-free equipment to other companies within the group and irregularities in the usage of raw material imports. A further part of the fine relates to an alleged breach of a business licence by the sales office of a Giordano subsidiary.

Louise Lucas

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(Registration No 01/005506)

ANNOUNCEMENT TO SHAREHOLDERS

Shareholders are referred to the announcement published in the press on 14 May 1997 in which they were informed that the directors of the Company intended to proceed with the winding-up of the Company.

Subsequent to this announcement of 14 May 1997, a party claiming to represent approximately 11% of the shareholding of the Company circulated a letter to certain of the Company's shareholders. In the letter the party stated that it intends to oppose the winding-up of the Company and called on those shareholders for support. The reason given by the party is that it believes that would be preferable for the Company to conclude a transaction which would involve an injection of cash into Rand Mines. This could result in the utilisation of some or all of the Company's cash, a further care issue, and a change in control of the Company.

The Company has been a cash shell for six months. During this period the parties expressed an interest in the cash shell and were invited to submit written proposals. One party submitted an outline of a proposal which led to discussions with the Company after such party had signed an undertaking of confidentiality. This proposal was subsequently withdrawn. Since then, no formal proposals have been made by any other party and contrary to what was stated in the letter referred to above no offer has been received by the Company.

The directors consequently are still of the view that the Company should be wound-up, since it, inter alia, no longer conducts any business, especially its traditional mining or mining-holding business, and it has no assets other than cash. After providing for the contested liability relating mainly to pensioners' medical aid contributions of approximately R39 million referred to in previous announcements, and allowing for winding-up expenses, it is expected that the Company will have cash available for distribution to shareholders of approximately R18 million, equivalent to 30 cents per share.

In its letter referred to above, the party in question stated that: "We are convinced and firmly believe that there are a number of entities who would consider placing offers for Rand Mines". Consequently, the directors have decided to postpone taking steps which could result in a winding-up during the three-month suspension period of the Company's listing on the Johannesburg Stock Exchange ("the JSE") and London Stock Exchange ("the LSE"), which listings will then automatically terminate if the Company has not acquired viable assets conforming to the JSE's listing requirements. This postponement will allow interested parties the opportunity of submitting a formal offer for a suitable transaction. If no such transaction has been concluded when that period terminates, the directors will proceed with appropriate steps for the winding-up of the Company.

A copy of this announcement will be posted to shareholders by ordinary mail.

Johannesburg

Japanese polystyrene units to merge

By Michiyo Nakamoto
in Tokyo

Mitsui Toatsu Chemicals and Sumitomo Chemical said yesterday they would combine their polystyrene businesses to create the second largest polystyrene maker in Japan.

The two companies will spin off their polystyrene businesses into a 50-50 joint venture in October.

The move, which will create

a company with total revenues of about Y25bn (US\$215m), is part of attempts within Japan's petrochemical industry to restructure and merge their polystyrene businesses to create the second largest polystyrene maker in Japan.

The joint venture will be the second largest producer of polystyrene in Japan, after Asahi Chemical Industry.

The merger highlights the

pressures for consolidation within the industry. Japanese companies generally seek to merge with other members of the same corporate group, as in the merger of Mitsui Toatsu with Mitsui Petrochemicals, also scheduled for October.

However, the deteriorating business environment for polystyrene producers means they must look beyond group companies to shift manufacturing overseas.

With 10 domestic producers competing for a market worth Y120bn, Japan's petrochemical

product, Mr Ishihara says.

The small size of Japanese petrochemical companies also means they are not as competitive globally as their larger foreign rivals.

However, the Mitsui-Sumitomo merger is not expected to create a company large enough to alter the competitive balance or to lead to sufficient consolidation. The combined annual production capacity of the two companies is just 245,000 tonnes.

product, Mr Ishihara says.

Participants in NCB's recapitalisation plan is that NCB is not expected to be able to pay dividends for at least several years.

Mr David Threadgold, analyst at BZW in Tokyo, said that yesterday's decision by Nippon Life would restore confidence in the bank's future. "The life insurers have been holding out in the hope of extracting some sort of concession for Nissan Mutual. But if Nippon Life has fallen into line on a bank rescue without any reciprocal arrangement, you have to assume the others will follow suit and the restructuring effort now looks pretty much a certainty."

NCB, the smallest of Japan's three long-term credit banks, incurred record recurring losses in the business year to March 1997 of Y350.16bn, before tax and extraordinary items.

Nippon Life throws lifeline to NCB

By Gwen Robinson in Tokyo

Nippon Life Insurance, Japan's largest life assurance company, yesterday decided to contribute Y2.25bn (US\$22m) to a massive government-backed rescue package for Nippon Credit Bank, in a move that will clear uncertainty about the future of the financially-troubled bank.

Critics, however, have said the bail-out plan is an unwelcome return to the old "convoy" system, under which stronger companies were traditionally expected to support weaker ones.

As industry leader, Nippon Life's decision is widely seen as the trigger for other life insurers to follow suit and provide financial support for NCB's Y291bn recapitalisation and restructuring.

The government-backed plan, announced on April 1 at the height of NCB's

liquidity problems, calls for commercial banks, non-life insurers and life assurance companies to contribute a total of Y167bn to NCB's capital increase programme. Banks and non-life insurers have been asked to contribute about Y70bn in third-

party new allotments of preferred and ordinary shares, while life assurance companies have been asked to convert about Y97bn of subordinated debt into preferred and ordinary shares. The remaining Y124bn would come from a special fund

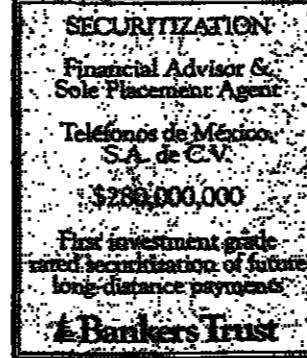
established by the Bank of Japan.

Leading banks and non-life insurance companies involved with NCB have already agreed to co-operate in the plan. Life insurers, however, have shown marked reluctance to participate - particularly since the collapse last month of Nissan Mutual Life Insurance, the first life assurance company to fall in Japan since the second world war, with estimated net liabilities of Y310bn.

The industry, led by Nippon Life, wanted the government to contribute to an unrelated Y200bn rescue plan for Nissan Mutual. Financial authorities have indicated that official assistance is unlikely, but at the same time they have been pressing Nippon Life and other life insurers to support both Nissan Mutual and NCB. Another deterrent for



Anticipation is the basis of opportunity.



Unique insights stem from unique knowledge. Knowledge that

often comes from long-term, committed relationships. This was

the case with Bankers Trust and Telefones de Mexico, S.A. de C.V.

(Telmex), Mexico's premier telecommunications provider. This

relationship allowed us to initiate and quickly execute a short-term

financing solution for Telmex that was cost-effective and captured

a market opportunity that others had not yet anticipated. Our

extensive structured finance expertise, our insight into the international capital markets, and an understanding of our clients' objectives enabled us to creatively structure a securitization

that was initially sized at \$200 million. However, market appetite was strong enough that it

allowed Telmex to increase the size of the financing to \$280 million. We welcome the opportunity

to discuss how we can develop equally innovative solutions to your financial challenges.

Bankers Trust
Architects of Value

COMPANIES AND FINANCE: EUROPE

BA in talks with Brussels on alliance

By Emma Tucker in Brussels

Mr Robert Ayling, chief executive of British Airways, met Mr Karel Van Miert, the EU competition commissioner, in Brussels yesterday in a bid to establish the Commission's demands for approval of BA's proposed alliance with American Airlines.

The "friendly and constructive" atmosphere reported at the meeting signalled a cooling of tempers between the two sides after a pub

clash earlier this year when the Commission insisted it had a right to vet the controversial deal.

The change of government in the UK has heightened prospects of an early agreement with the Commission and British competition authorities indicating a willingness to co-operate in investigating the alliance, which would create the world's largest airline group.

But British Airways, which announced the alliance a year ago, is understood to be still prepared to

call the deal off if it judges that demands from the regulators render the alliance uncommercial.

It argues that any such demands by the competition authorities would be "bad for consumers and unfair on BA, which already has to compete against three other alliances involving EU airlines, including United Airlines of America, and Germany's Lufthansa.

Industry experts believe that the formation of such alliances are an inevitable consequence of develop-

ments in the world aviation market and are necessary to ensure the future competitiveness of the European airline industry.

Brussels is particularly concerned about the number of take-off and landing slots that BA-AA would control at Heathrow. But BA argues that the question of slot allocation needs to be looked at in a wider European context.

It points out that while BA uses 38 per cent of the slots at Heathrow, Lufthansa has 61 per cent of

the slots at Frankfurt. BA is also aggrieved about its lack of access to Milan and to Paris's Orly airport.

A preliminary report from the UK's Office of Fair Trading said BA-AA should be made to cede 168 weekly slots in return for approving the alliance. Such a move would involve AA giving up almost all its 196 Heathrow slots - a move some transport experts believe would push the deal to the limits of commercial viability.

EUROPEAN NEWS DIGEST

Zurich Group raises \$1bn in US

Zurich Group, the Swiss insurer, has raised \$1bn through a private placement in the US, increasing speculation that it is poised to make a significant US acquisition.

There has been persistent speculation that Zurich is negotiating to buy Scudder Stevens & Clark, a US money manager. It has made no secret of its interest in building up its asset management business, and Scudder, which is primarily an equity manager, would complement Kemper's concentration on bond funds. Scudder is known to be for sale and a price tag of \$1.5bn has been mentioned.

Zurich has refused to comment on the speculation over Scudder, but confirmed that the proceeds of the offering might be used for general business purposes and the funding of any potential acquisitions.

William Hall, Zurich

CSFB loses Swiss Telecom role

Credit Suisse First Boston, Switzerland's leading investment bank, has lost the race to lead the initial public offering of Swiss Telecom, which could raise up to \$1.5bn (\$3.5bn). It has also lost its role as the company's financial adviser on the forthcoming IPO.

The Swiss government announced yesterday that it had picked J.P. Morgan, the US bank, and SBC Warburg, the investment banking arm of Swiss Bank Corporation, as global co-ordinators of the planned IPO of up to 49 per cent of the state-owned telecoms company, scheduled for the second half of next year.

William Hall, Zurich

Holzmann plan dropped

Deutsche Bank and Hochfiedl, the German construction company, have dropped plans to pool their stakes in builder Philipp Holzmann to obtain effective joint control because of problems with competition authorities. But the co-operation strategy being worked out by Hochfiedl and Holzmann in foreign markets will be continued.

Deutsche Bank and Hochfiedl said in March they were pooling their stakes in Holzmann to give them just under 50 per cent. This followed a long-running battle by Hochfiedl for control of its larger rival. The decision to drop the plan follows indications that the European Commission was about to pass the matter to Germany's federal cartel office in Berlin. Andrew Fisher, Frankfurt

Paris approves ferries deal

Prospects for P&O, the UK ferry group, and Stena Line, its Swedish-based rival, to merge their English Channel services in time for the summer high-season were boosted yesterday when the venture was approved by the French government.

The deal, which is intended to meet aggressive price competition by Eurotunnel, the Channel tunnel operator, will now go ahead if approved by the European Commission and the UK government. The UK decision was expected imminently. Stena said.

The French finance and foreign trade ministry said in a letter to the companies that a tie-up would not eliminate competition and would result in "rationalisation of the current overcapacity in ferry traffic on the English Channel". The ministry said the joint venture would facilitate modernisation of the companies' fleets and enable faster loading and unloading.

Greg McIvor, Stockholm

Profits, output stabilise at Russian oil group

By John Thornhill
in Moscow

Surgutneftegaz, one of Siberia's biggest privatised oil producers, reported flat pre-tax profits and production levels for 1996, suggesting that the sharp contraction in Russia's oil industry has finally levelled off.

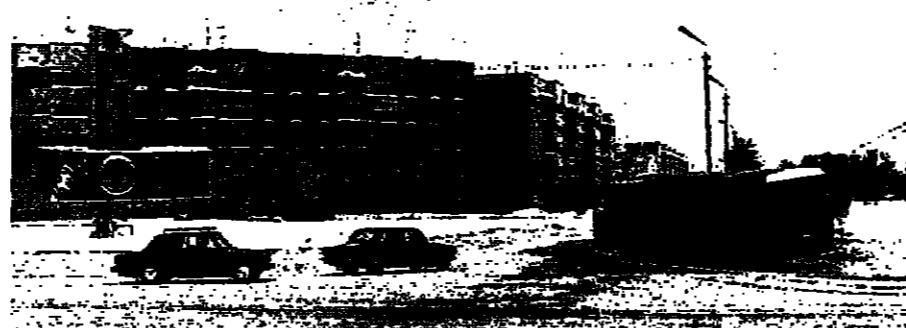
The company's pre-tax profits came to Rbs6,200bn (\$901m) last year - unchanged from 1995 - on revenues 9 per cent higher at Rbs25,800m. Mr Vladimir Bogdanov, Surgutneftegaz president, said the company had produced almost 2 per cent more oil a day over the first five months of this year and was likely to exceed last year's total output of 33.2m tonnes.

"Production will certainly be more than 33m tonnes," Mr Bogdanov told shareholders at the company's annual meeting in the remote Siberian city of Surgut.

At that level, Surgutneftegaz's output matches that of Amoco, the US oil group, although it remains significantly below the Russian company's 1990 production level of 51.1m tonnes.

Analysts suggested Surgutneftegaz, with higher than average export sales, was well positioned to benefit from a turnaround in the Russian oil industry. Total exports rose from 11.7m tonnes in 1995 to 12.1m tonnes last year, representing one-third of total output.

The company, which has been slowly shaking off its



Siberia-based Surgutneftegaz is Russia's second most valuable oil company

reputation for being unfriendly to foreign investors, has seen its share price

Pinault threatens action over Artémis ownership

By Andrew Jack in Paris

Mr François Pinault, the French industrialist, is threatening legal action to stop a move by a state-controlled agency to prevent him taking full ownership of the private company which controls Pinault Printemps Redoute, the retail giant.

Mr Pinault wrote last Friday to Mr Michel Rouger, head of the Consortium de Réalisation, the body charged with selling off assets formerly held by Crédit Lyonnais, the trou-

bled bank. He objects to the CDR's proposed restructuring of its holding in Artémis, which owns 42.6 per cent of Pinault Printemps Redoute.

The deal would transfer CDR's 24.5 per cent stake in Artémis to EPFR, the public sector organisation established by the French state to supervise the assets being sold by CDR. The move was intended to stop Mr Pinault acquiring the stake at what CDR believed was a knock-down price.

Artémis is the family holding vehicle of Mr Pinault, which controls his stake in Pinault Printemps Redoute, as well as the Château Latour vineyard and a portfolio of junk bonds. However, Mr Pinault only owns three-quarters of Artémis. CDF, which is required to realise as much money as possible for the Crédit Lyonnais assets it holds, hired Goldman Sachs, the US investment bank, in an effort to find alternative buyers for the Artémis stake. It made the transfer to EPFR just ahead of a deadline last Thursday.

Gencor shares lifted by possible London listing

By Mark Ashton
in Johannesburg

Shares in Gencor, South Africa's second-largest mining group, rallied yesterday on the news that the group may be considering a London listing for parts of its business.

The shares gained 2 per cent to close at a two-month high of R19.95.

Analysts yesterday welcomed the news, saying the move was intended primarily to secure a London listing for Gencor's aluminium

and nickel operations.

"We are expecting explosive price action in nickel and aluminium towards the end of the year, and Gencor is the only South African group exposed to both commodities," said Mr Barry Sargent, mining analyst at BoB Nettwest.

Mr Brian Gilbertson, Gencor chairman, said he was "evaluating a number of major opportunities, including projects in South Africa and Mozambique, in Venezuela and Brazil, and in Colombia and Australia". These

would require new capital, he added.

However, he stressed that the Gencor board had not approved any restructuring and "a number of hurdles had to be overcome". The group is believed to be considering a demerger of its base metals and precious metals interests.

The move could enable Gencor to raise money on the international capital markets to fund its battle with Anglo American for new international mining business.

Coming soon to the Swiss Stock Exchange: GretagMacbeth

Take a share in sustained growth

Increasing globalization brings changing needs - also in the field of color measurement. Cross-border manufacturing requires digital processing and communication of color data: computers are used to design products and specify colors, then all the information is sent electronically to the next stage of production. Wherever in the world the final product is made, the colors must match exactly the original specification. GretagMacbeth supplies the instruments that make this possible.

The increasing demands on color measurement and color control technology in various areas of application are opening up exceptional growth prospects.

GretagMacbeth - Global Leader in Color Measurement and Appearance.

The GretagMacbeth Group was formed in 1997 by the merger of the Color Control Systems division of the Swiss company Gretag AG and the Macbeth division of Kollmorgen Instruments Corporation, USA. In 1996 the two companies generated an operating income of around CHF 10 million (+27%) on combined sales of CHF 70 million (+11%). GretagMacbeth has 269 employees in Switzerland, the United States, Great Britain, Germany and Hong Kong. The IPO, lead managed by Bank J. Vontobel & Co AG, will ensure a solid foundation for sustained growth.

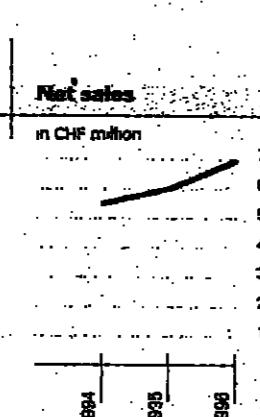
There are more details in the GretagMacbeth Profile. To order it contact:

Gretag-Macbeth Holding AG, Althardstrasse 70, 8105 Zürich, Switzerland

Phone +41 1 842 24 00 or

Bank J. Vontobel & Co AG, Bahnhofstrasse 3, 8022 Zürich, Switzerland

Phone +41 1 283 70 76



The Mortgage Bank and Financial Administration Agency of the Kingdom of Denmark (Kongeriget Danmarks Hypotekbank og Finansforvaltning)

U.S. \$100,000,000

Guaranteed Floating Rate Notes due 2005 unconditionally and irrevocably guaranteed by The Kingdom of Denmark

For the six month interest Period 2nd June, 1997 to 1st December, 1997 the Notes will carry a Rate of Interest of 5.70 per cent per annum, with Coupon Amounts of U.S. \$144,08 and U.S. \$7,881.67 per U.S. \$1,000 and U.S.\$100,000 Notes respectively. The relevant Interest Payment Date will be 1st December, 1997.

Bankers Trust Company, London

Agent Bank

Sovereign Investment Linked Securities S.A.

(Incorporated with Limited Liability in Luxembourg)

Series B

Floating Rate Secured Notes Due 1999

Notice is hereby given that the Rate of Interest for the Interest period June 2, 1997 to December 1, 1997 has been fixed at 5.65% and that the Interest payable on the relevant Interest Payment Date December 1, 1997 against Coupon No. 4 will be PTE281,728 in respect of PTE10,000 nominal of the Notes.

June 3, 1997, London

By: CITIBANK, N.A. Corporate Agency & Trust, Agent Bank

CITIBANK

USD 20 000 000 000 MEDIUM TERM NOTE PROGRAMME

SCA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED

SERIES 65/94-6 TRI

SCA SOCIETE GENERALE ACCEPTANCE N.V.

FRF 800 000 000 FLOATING RATE NOTES DUE JUNE 2004

ISIN CODE : XS0049009011

For the period June 02, 1997 to September 01, 1997 the new rate has been fixed at 8.02525 % P.A.

Next payment date : November 28, 1997

Coupon nr : 22

Amount : FRF 2 130.59 for the denomination of FRF 100 000

FRF 21 303.94 for the denomination of FRF 1 000 000

THE PRINCIPAL PAYING AGENT

SOCIETE GENERALE BANK & TRUST S.A.

LUXEMBOURG

SOCIETE GENERALE USD 500 000 000 UNDATED SWINGING FLOATING RATE NOTES

ISIN CODE : FR0000002523

For the period May 30, 1997 to November 28, 1997 the new rate has been fixed at 6.10625 % P.A.

New payment date : November 28, 1997

Coupon nr : 22

USD 308.70 for the denomination of USD 10 000

USD 3 087.05 for the denomination of USD 100 000

THE PRINCIPAL PAYING AGENT

SOCIETE GENERALE BANK & TRUST S.A.

LUXEMBOURG

3rd June, 1997

First Publication

Notice of Ordinary Resolution of Noteholders

NOTICE IS HEREBY GIVEN that the proposed Ordinary Resolution published in this Notice on 24th, 25th, 26th and 28th April was duly passed in a meeting of Noteholders held on 22nd May 1997 at the registered office of the Company, 10th Floor, 1000 Avenue of the Americas, New York, NY 10036, USA, at 10:00 a.m. (New York time) on the 22nd May 1997.

Given by: The Board of Directors of Compania General de Combustibles S.A.

Compania General de Combustibles S.A.

U.S.\$50,000,000

8.02500 per cent. Notes due 1999

Notice of Ordinary Resolution of Noteholders

NOTICE IS HEREBY GIVEN that the proposed Ordinary Resolution published in this Notice on 24th, 25th, 26th and 28th April was duly passed in a meeting of Noteholders held on 22nd May 1997 at the registered office of the Company, 10

JULY 1997



All of these securities having been sold, this announcement appears as matter of record only.

U.S. \$1,228,870,071

UNIBANCO

***Unibanco - União de Bancos Brasileiros S.A.
Unibanco Holdings S.A.***

**33,238,638 Global Depositary Shares
Each Representing 500 Units
and 1,586,163,525 Units
Each Unit Consisting of
One Preferred Share of Unibanco - União de Bancos Brasileiros S.A. and
One Class B Preferred Share of Unibanco Holdings S.A.**

28,550,941 Secondary Global Depositary Shares and 1,586,163,525 Units sold by Banco Nacional S.A. em liquidação extra-judicial

U.S. and International Bookrunner
MORGAN STANLEY & CO.
Incorporated

Joint Global Coordinators
LEHMAN BROTHERS J.P. MORGAN & CO. MORGAN STANLEY & CO.
Incorporated SBC WARBURG INC.

9,232,955 Global Depositary Shares

This portion of the offering was sold outside of the United States, Brazil and Canada by the undersigned.

MORGAN STANLEY & CO.
International
LEHMAN BROTHERS
J.P. MORGAN SECURITIES LTD.
SBC WARBURG INC.
A Division of Salomon Brothers Inc.
PARIBAS
UBS LIMITED

COMMERZBANK
Aktiengesellschaft
ABN AMRO ROTHSCHILD
DAIWA EUROPE LIMITED
BB SECURITIES LTD
Banco do Brasil Group
DRESDNER KLEINWORT BENSON
STEPHEN ROSE AND PARTNERS
Limited
HSBC INVESTMENT BANKING
STEPHEN ROSE AND PARTNERS
Limited
PARIBAS
UBS LIMITED

24,005,683 Global Depositary Shares

This portion of the offering was sold in the United States and Canada by the undersigned.

MORGAN STANLEY & CO.
Incorporated
LEHMAN BROTHERS
J.P. MORGAN & CO.
SBC WARBURG INC.
CREDIT SUISSE FIRST BOSTON
BBV LATINVEST SECURITIES INC.
ARNHOLD AND S. BLEICHROEDER, INC.
JANNEY MONTGOMERY SCOTT INC.
GOLDMAN, SACHS & CO.
CASPIAN SECURITIES INC.
SANFORD C. BERNSTEIN & CO., INC.
MERRILL LYNCH & CO.
A.G. EDWARDS & SONS, INC.
PARIBAS
UBS SECURITIES
SANTANDER INVESTMENT
GUZMAN & COMPANY
PARIBAS

1,586,163,525 Units

Brazilian Coordinators and Brazilian Joint Bookrunners
UNIBANCO BANCO DO BRASIL

COMPANIES AND FINANCE: THE AMERICAS

Lockheed unveils satellites joint venture

By Richard Waters
in New York

Lockheed Martin has won an important round in the battle for control of the global satellite communications business with a joint venture, announced yesterday, that will give it a presence in the skies over large parts of the former Soviet states and southern Asia.

The biggest US aerospace and defence group said it had formed a joint venture

company with Intersputnik International Organisation of Space Communications, a Russia-based group, that will lead to the launch of a number of new communications satellites.

The announcement comes at a time of heightened competition in global satellite communications. While established competitors such as Loral and PanAmSat have focused on this area, a handful of newer, highly ambitious ventures are also

scheduled to take to orbit, including a Boeing-backed plan to create a global communications network.

Intersputnik is an international grouping of 22 countries that already operates an international satellite communications system, and which controls other, unused satellite slots.

Under the plan unveiled yesterday, Lockheed's space and strategic missiles division will provide the satellites, as well as launch and

ground services, for the new joint venture company.

Intersputnik will market the joint venture's services, with a main marketing office in Moscow. The first launch, planned for late next year, will be of a Lockheed communications satellite on a Russia-built Proton launch vehicle.

For Lockheed, the agreement is the latest in a string of alliances which have tied the fortunes of its space and satellite operations more

closely to the former Soviet space programme.

Earlier this year, the US company announced plans to use Russia-built rockets in its own launch vehicle, known as Atlas, and last month saw the first of six planned satellite launches this year by International Launch Services, a joint venture between the US company and Russian interests.

The new company announced yesterday, called Lockheed Martin Intersputnik, will begin by carrying

Enron to pay \$440m to settle dispute

By Christopher Parkes
in Los Angeles

led to a sharp reduction in gas prices.

The dispute went to court last April with Enron asking a Texas judge to nullify the contract on the grounds that its North Sea supplier had failed to provide adequate pipeline facilities.

At the time, North Sea gas prices were about 9 pence a therm, compared with the estimated 20 pence Enron had agreed to pay previously.

A UK High Court decision on the issue, which is due today, would not affect the settlement announced yesterday, the litigants said.

Under the new contract, the companies have agreed to a long-term deal at a fixed price - lower than the previously-agreed rate - to reflect current market conditions and long-term prospects for gas prices.

Gas sales will start this month and will increase to the planned daily average of 260m cu ft in July and continue at that rate for the rest of the year.

Alcan Aluminium and its can-do chief

Jacques Bougie is planning to lift the group's annual performance by \$300m within three years

Those who have watched Mr Jacques Bougie's radical restructuring of Alcan of Canada, the world's second-biggest aluminium group, have been wondering what he would do for an encore. They need wonder no more.

Alcan is launching a programme aimed at tapping "the full business potential" of its entire operations. Mr Bougie, Alcan president and chief executive, says that by the end of three years this should boost annual after-tax profit by \$300m, even at today's relatively low aluminium prices.

Alcan went from being Canada's most profitable company in 1988 to three years of losses from 1991. Behind its troubles lay its position as the industry's most international company. This left it more vulnerable than most to the surge of aluminium exports to the West following the collapse of the Soviet Union.

The group responded by cutting \$600m from its permanent cost base in the early 1990s and restructured to focus on its core operations. Alcan sold 43 businesses with total revenues of \$2.6bn. The process was completed last year and freed \$1.2bn.

The next step was to analyse the remaining businesses to identify the maximum realisable return from existing assets.

"Although further reductions to both fixed and vari-

able costs are an essential element of the drive to realise full business potential, this is a multi-faceted effort that will also encompass reassessing such areas as product mix, distribution channels, customer profiles and changes to the capital base," Mr Bougie says.

He suggests that Alcan cannot pause for breath because in the past 14 years it has only made returns exceeding its cost of capital - the weighted average cost of debt and equity after tax - in only two. This compares with only one for the aluminium industry as a whole. He estimates that this cost of capital ranges between 10 and 15 per cent for the industry, and in Alcan's case is about 11 per cent.

Giving examples of the opportunities offered by the "full business potential" pro-

gramme, he points to the Rogerstone rolling complex in the UK, where in the past five years output has more than doubled without any increase in people and little extra capital investment. This was achieved by introducing "best practices", mainly from Alcan's similar operations in the US.

He says: "We will look at what are best practices throughout the world, not just in Alcan, but elsewhere, and not just in the aluminium industry but related industries."

Alcan is also looking at the equipment installed in individual plants - the "kit" - and refining its product mix to ensure that the best plant for the product is used. "This is optimising the kit you have," he says.

He thinks there are also benefits to be gained from

pooling all purchases throughout the group, and on the distribution side it might sell directly to customers instead of using agents. "We will also select customers with care, it costs much more to develop a new customer than to keep an existing one."

This is not a one-off programme but a continuing process: "Best practices are changing all the time."

Mr Bougie, 50, is a graduate in law from Université de Montréal and in business administration from Ecole des Hautes Etudes Commerciales. He joined Alcan in 1979, and was appointed president 10 years later. Colleagues describe him as a very logical thinker and persistent.

That logical approach was

clear when, in 1992, Alcan undertook a study of the market outlook for aluminium. It examined every product in every country, and then looked at the viability of its 120 businesses by comparing the net present value of forward earnings for each business with the capital employed in that business.

"That gave us an objective indicator of businesses that were potentially wealth creating, those that were wealth diluting, and those that were actually wealth destroying," he says. The study concluded aluminium was a good, growing business for a low-cost producer, and that Alcan had the assets, technology and position to succeed.

Mr Bougie's confidence in aluminium's future is undimmed and Alcan remains on the look-out for strategic investment opportunities and acquisition prospects. In April it announced it would spend \$350m over three years to expand its rolling operations in Brazil, where it has the only beverage can sheet facility in South America and where sales of canned drinks are soaring.

Other possible projects include a \$1bn smelter in Alma, Quebec, with annual capacity of 370,000 tonnes, which would make it Alcan's biggest, and a \$125m bauxite mine in Australia. Mr Bougie insists Alcan can afford all these projects. Over the past five years the

group has cut its debt in half to \$1.5bn, and entered 1997 with gearing of only 17.8 per cent. It has \$600m in cash reserves and a \$1bn multicurrency facility in place.

The investments will be over three years, which means Alcan might need to spend \$700m a year plus the \$400m required to keep its existing assets in good order. "One billion [dollars] a year is not excessive," he says.

But he admits timing will be important. "We will proceed very cautiously. The last thing we want to do in a cyclical industry is to commit to large investments and find the market collapsing."

As for acquisitions, Mr Bougie insists these will be related to core businesses: raw materials and chemicals, and smelting and rolling.

Alcan looked at aluminium companies being offered for sale by the Italian and Spanish governments but decided it already had a strong base in Europe, where it has roughly one-third of its assets. However, it has joined forces with Alumina Company of America, its biggest rival, and is among seven consortia bidding for bauxite and aluminium assets being privatised by Venezuela.

Mr Bougie says: "The aluminium industry is being restructured through these privatisations and we want to be part of that."

Kenneth Gooding

INTERIM REPORT
for the six months ended 31 March 1997

SUMMARY OF RESULTS

	Unaudited 6 months to 31.3.97	Unaudited 6 months to 31.3.96
Turnover	\$1.571m	\$1.770m
Operating income	\$121m	\$213m
Net income	\$7m	\$86m
Earnings per share	4 US cents	58 US cents
Dividends per share	-\$0.70	-\$0.70
Cash generated by operations	\$265m	\$311m

NET TURNOVER (\$1.571 million)

Sappi Europe 50.00 million
Sappi Southern Africa 50.00 million

Sappi Americas 50.00 million

Sappi Trading 0%

OPERATING INCOME (\$121 million)

Sappi Europe 84%
Sappi Southern Africa 16%

Sappi Americas 0%

Sappi Trading 0%

sappi limited

• WEAK INDUSTRY CONDITIONS
• OUTLOOK IMPROVING BUT STILL UNCERTAIN
• DEBT REDUCTION PROGRAMME
• NO INTERIM DIVIDEND

PRODUCTION AND MARKETS
Despite the generally healthy demand for paper, selling prices languished at low levels in Europe where substantial increases over last year were offset by declines in the US. Some improvements were achieved. Prices for dissolving pulp were low for the full period reflecting the hesitant state of the viscose market and are currently only marginally above paper pulp prices. Sales volumes of pulp and paper products nevertheless grew by 7.6% compared to the first half of last year.

All mills operated without commercial downtime although there was a major production stoppage (the week) at the Usutu mill as part of a politically motivated national stayaway in February and March 1997 which affected all major industries in Swaziland. There was also a major stoppage at Western's Westbrook mill following the fire at the neighbouring Portland arms and a serious fire in a third party warehouse in Michigan which destroyed some Muskegon mill stock and disrupted customer deliveries for several months. Whilst these events were insured, the same cannot be said of the Usutu stoppage.

OUTLOOK
Pulp demand in recent months has been strong, but prices are still at a very low level. Producer stocks have shown a decline in recent months and inventories have been announced by most of the major suppliers effective May 1997. At the time of writing these increases appear to have been accepted by the market. Paper consumption looks healthy and demand, particularly in North America, has been strong. Prices in North America are now showing an upward trend and coated free prices are expected to rise by US\$80 per short ton on 1 June 1997.

In Europe, however, currency fluctuations and new coating paper capacity have stemmed the rate of price increases, but rising pulp prices should support the current price levels for the balance of the year. The new capacity will require the industry to reduce operating rates during the summer months to avoid excessive inventory. The second half of the financial year is however expected to be better than the period just reviewed. With the uncertain economic climate, it is not expected that earnings for the whole of 1997 will match those of last year.

The non-trading loss is mainly attributable to costs of restructuring, including staff reductions in Southern Africa, Europe and the United States of America.

FINANCIALS
Financial costs in the period under review increased slightly from \$124 million last year. For the period under review gross interest capitalised totalled \$36 million (1996: \$30 million) and relates to the holding costs of forests and the pre-commissioning periods for major projects, almost all of which are now complete. At the same time operating income for the period was charged with the associated provision for capitalised interest on forests amounting to \$10 million (1996: \$22 million) resulting in a net credit to income of \$18 million of capitalised interest on forests in the period (1996: \$17 million).

Earnings for the period under review were 4 US cents per share, much the same as those for the prior six months. Had it not been for non-recurring restructuring costs of \$15 million the earnings per share would have been 11 US cents. Earnings per share for the same period last year were 58 US cents.

WORKING CAPITAL
The adverse movement in working capital since 30 September 1996 arises from the settlement during the review period of significant capital expenditure credits which were accrued but unpaid at that date.

Copies of this report will be mailed to shareholders. Other interested parties can obtain copies from:

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Kwazulu-Natal, 16000

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Group Limited
Bourne House
34 Beaconsfield Road
Beaconsfield
Buckinghamshire, HP9 1JU

These results can be viewed on the Internet at <http://www.sappi.com>

FIRST QUARTER 1997 FINANCIAL RESULTS

(Reviewed by Ernst & Young, Bahrain)

CONSOLIDATED BALANCE SHEET (AT 31 MARCH, 1997)

(US\$ million)

	31 Mar 1997	31 Mar 1996
ASSETS		
Liquid funds	304	270
Marketable securities	2,766	2,089
Placements with banks and other financial institutions	6,167	6,839
Loans and advances	11,047	10,623
Interest receivable	556	425
Investments in associates	86	79
Other investments	99	104
Other assets	295	274
Premises and equipment	447	446
	21,767	21,149
LIABILITIES		
Deposits from customers	10,030	9,675
Deposits from banks and other financial institutions	7,330	7,691
Certificates of deposit	243	239
Interest payable	459	343
Other liabilities	315	258
Minority interests	311	274
	18,688	18,480
TERM NOTES, BONDS AND OTHER TERM FINANCING	1,398	1,102
SHAREHOLDERS' FUNDS		
Share capital	1,000	1,000
Treasury stock	(75)	(75)
Reserves & retained earnings	724	613
Current period's profit	32	29
	1,681	1,567
	21,767	21,149

CONSOLIDATED INCOME STATEMENT (3 MONTH PERIOD TO 31 MARCH, 1997)

(US\$ million)

	Jan-Mar 1997	Jan-Mar 1996
INCOME FROM OPERATIONS		
Net interest income	123	97
Other operating income	59	61
TOTAL INCOME	182	15

COMPANIES AND FINANCE: THE AMERICAS

PepsiCo forms separate bottling unitBy Richard Tomkins
in New York

PepsiCo, the US soft drinks and snacks company, yesterday said it planned to reorganise its North American soft drinks business by forming a separate unit to run its bottling operations, which had revenues last year of about \$8bn.

The move prompted speculation that it could be a prelude to a spin-off of the bottling business, but PepsiCo

strongly denied this. "This isn't a precursor to a spin-off; it's simply a new way to structure the business," it said.

PepsiCo has run into difficulties with its international soft drinks business because of tough competition from Coca-Cola, which has emerged as the dominant player in the global market.

This year PepsiCo announced plans to spin off its Pizza Hut, Taco Bell and KFC fast food businesses in

response to shareholder pressure for action to boost its flagging stock price.

Yesterday's announcement pushed its shares ahead \$1% to \$38.1 in early trading.

Like Coca-Cola, PepsiCo manufactures concentrated cola syrup and passes it on to bottlers which add water and carbonation, bottle or can it, and sell the finished product to retailers.

Unlike Coca-Cola, however, PepsiCo owns a substantial proportion of its bottlers - company-owned bottlers which account for 56 per cent of PepsiCo's US volume.

The rest is handled by independent franchisees, the biggest of which is Pepsi-Cola General Bottlers, a subsidiary of the Chicago-based Whitman Corp.

Over the past 10 years, PepsiCo has adopted a policy of acquiring its North American bottlers to exercise greater control over them.

The strategy contrasts with that of Coca-Cola, which believes independent bottlers are more entrepreneurial, but which often retains equity stakes in them so that it can exert its influence.

Coca-Cola's biggest bottler in the US is Coca-Cola Enterprises, in which it owns a 44 per cent stake.

PepsiCo said it had decided to separate its bottling operations to create a unit focused exclusively on bottling.

"The size and scope of our domestic bottling business requires the individual attention of a top notch management team, and that is exactly what we are creating with this new structure," it said.

The company said the bottling business would have its own separate management structure.

The names of the people who would manage the new unit would be announced later.

AMERICAS NEWS DIGEST

Hilton attacks ITT hotels plan

Hilton Hotels has attacked the terms of a plan by ITT, which is the target of a \$6.5bn hostile takeover bid by Hilton, to sell five hotels to FelCor Suite Hotels.

Part of the \$200m deal calls for ITT to receive a management fee for operating the hotels, but that provision would be severed if ITT underwent a change in control. Mr Stephen Bollenbach, chief executive, said Hilton was ready to acquire the five ITT Sheraton hotels at the same price and on the same terms as FelCor, but that Hilton would exclude the change of control provision. "If ITT is looking to dispose of any more of its core assets, Hilton is a ready, willing and able buyer," he said.

ITT defended the FelCor deal, saying FelCor requested the change-of-control provision. It added that most of the recently-announced management and franchise contracts between ITT and others contained the same provision.

Hilton launched its bid for ITT in January. ITT rejected the bid, calling it inadequate, and then began to shed non-core assets and refocus operations on its core hotels and gambling business.

ITT has sold its stake in French telecommunications company Alcatel Alsthom for about \$30m and agreed to dispose of its 50 per cent stake in Madison Square Garden for about \$65m.

Reuter, Beverly Hills

Tribasa wins \$240m contract

Tribasa, the Mexican construction company, has been awarded a \$240m contract to build a 160km highway in Chile. It said the Chillan-Collipulli highway would take 37 months to complete. Tribasa will also hold the 25-year concession on the highway, which will connect the two cities in central Chile. The new contract is the third highway construction project Tribasa has been awarded in Chile. It is also constructing a \$20m northern access route to the city of Concepcion, south of the capital of Santiago, and a \$25m highway between Santiago and Los Vilos.

AP-Dow Jones, Mexico City

CPC buys Spanish food group

CPC International, the US food company, has acquired the Spain-based Starlux business from Groupe Danone and Findim Investments. Terms of the acquisition were not disclosed. Starlux had \$16m in annual sales last year. Its products include Starlux bouillons and Nocilla chocolate hazelnut spreads, both leading Spanish brands in their categories, as well as Starlux meal dishes and tomato products and Suenos de Oro herbal teas.

Reuter, New Jersey

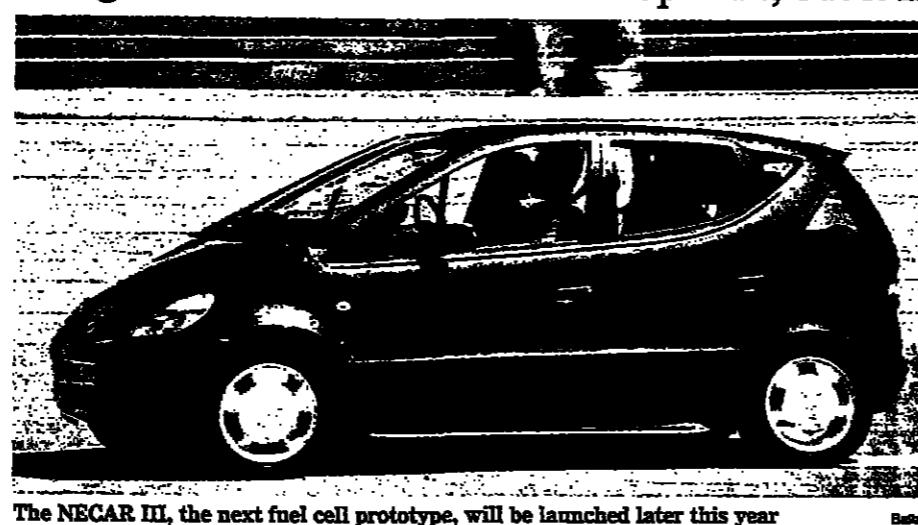
Banc One completes acquisition

Banc One, the US bank, has completed its \$515m acquisition of Liberty Bancorp. Under the terms of the agreement, Liberty Bancorp shareholders will receive 1.175 Banc One shares for each Liberty Bancorp share in a deal valued at about \$515 million. The combined bank will be the largest in Oklahoma City and one of the top three in the state. Liberty Bancorp, with assets of about \$2.9bn at March 31, operates 29 banking offices in Oklahoma City and Tulsa.

AP-Dow Jones, Ohio

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international.companies@ft.com



The NECAR III, the next fuel cell prototype, will be launched later this year

He and his team dedicated themselves to refining fuel cell technology, producing prototype fuel cell-powered buses and co-operating with Daimler-Benz to build an electric car.

Ballard's fuel cells isolate hydrogen atoms electrons, which form usable electricity, while the hydrogen protons migrate through a membrane to a catalyst that causes the protons to combine with oxygen to form pure heat and water. The fuel cells can run on pure hydrogen or hydrogen derived from natural gas or methanol, which is seen as the most likely energy source for cars.

The technology was used in the US Gemini space programme, but it was considered too bulky, inefficient and expensive to be commercially viable.

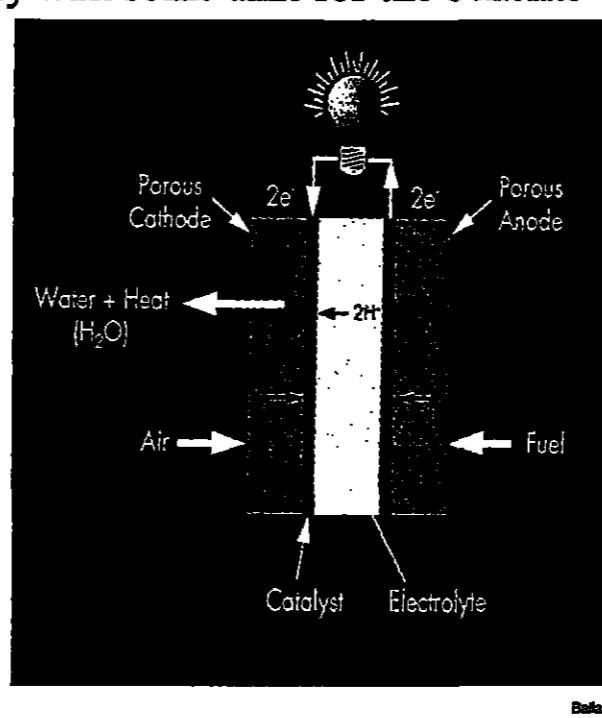
But Mr Geoffrey Ballard, the founder, knew the military was searching for a clean, quiet power source.

stationary power plants. And later this year, transit authorities in Chicago and Vancouver are due to begin testing Ballard's fuel cell vehicles.

Nevertheless it is the company's potential to power cars that has spurred its share price. Toyota unveiled its own fuel cell vehicle in 1996, but analysts agreed Toyota's technology was about five years behind that of Ballard.

The world's top auto makers face the decision whether to buy or to develop fuel cell technology. Most have purchased Ballard's cells to test in their electric vehicles.

The deal with Daimler-Benz was a significant milestone, but the group does not expect to be profitable until Ballard-powered cars are



The core of the Ballard Fuel cell consists of two electrodes, the anode and the cathode, separated by a polymer membrane. Each electrode is coated on one side with a platinum catalyst. This catalyst causes the hydrogen fuel to separate into free electrons and protons (positively charged hydrogen ions) at the anode. The free electrons are conducted in the form of usable electrical currents through an external circuit. The protons migrate through the membrane to the cathode, where the catalyst causes the protons to combine with oxygen from the air and electrons from the external circuit to form pure water and heat.

produced en masse - which is at least 10 years away.

Electric vehicles are likely to be successful in niche markets such as California, which has passed stringent clean-air legislation. But

convincing car owners

around the world to give up

their internal combustion

engines could prove more

difficult.

Scott Morrison

LIPPOBANK

Indonesia's Leading Commercial Bank

ROBUST FIRST QUARTER PERFORMANCE

	Quarter Ending 31st March 1997	Quarter Ending 31st March 1996	Growth
Pre-Tax Profits	Rp. 56.6 billion	Rp. 38.6 billion	46.4%
Net Profit After Tax	Rp. 39.6 billion	Rp. 27.5 billion	44.2%
Income from Operations	Rp. 60.8 billion	Rp. 40.3 billion	51.0%
Total Assets	Rp. 10.7 trillion	Rp. 7.5 trillion	42.9%
Customer Deposits	Rp. 9.2 trillion	Rp. 6.6 trillion	39.9%
Shareholders' Funds	Rp. 946.2 billion	Rp. 534.6 billion	77.0%
Market Capitalization	Rp. 2.1 trillion	Rp. 1.4 trillion	50.0%

"The momentum of Lippo Bank's record-breaking performance in 1996 continues into 1997. It is clear that we are on the right path toward achieving our ambitious strategic goals in building one of the strongest banks in Indonesia. Thanks to our experience, size and strength, Lippo Bank commands powerful resources in all areas of banking. As our record shows, we know how to harness this strength, helping our customers and shareholders to prosper."

Markus Parmadi
President & CEO



CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31st DECEMBER, 1996

	1996 US\$	1995 US\$	DIVIDENDS
GROSS REVENUE	6,912,927	7,269,831	
Operating profit before exceptional items	4,756,002	5,539,275	
Exceptional items (Note 1)	2,606,341	(411,009)	
Profit from ordinary activities	7,342,343	5,128,266	
Share of profits less losses of associated companies	212,578	320,119	
Profit before taxation Taxation (Note 2)	7,554,921	5,448,385	
Profit attributable to shareholders	7,491,836	5,417,099	
Interest dividend	(952,400)	(952,400)	
Final dividend	(4,762,000)	(3,809,600)	
Profit for the year retained	1,777,436	655,099	
Earnings per share (Note 3)	0.079	0.057	
Proposed final dividend per share	0.050	0.040	
Net asset value per share (Note 4)	1.052	1.032	
Notes			
1. Exceptional items represent:			
1996 135	1995 155		
Gain on deposit of subsidiaries	1,326,230	-	
Gain on deposit of listed investments	1,490,089	-	
Loss on revaluation of listed investments	(211,978)	(411,009)	
	2,606,341	(411,009)	

2. Hong Kong profits tax has been provided at 16.5% (1995: 16.5%) on the estimated assessable profits. Overseas taxation is provided at various rates applicable locally.
No deferred taxation has been provided for as there are no significant timing differences among between profits as computed for taxation purposes and profits as stated in the financial statements.
3. The calculation of earnings per share is based on earnings for the year of US\$7,491,836 (1995: US\$5,417,099) and 95,340,000 ordinary shares (1995: 95,240,000 ordinary shares) in issue during the year.
4. The calculation of the net asset value per share is based on the net assets of US\$10,486,389 (1995: US\$8,277,946) and 95,340,000 ordinary shares (1995: 95,240,000 ordinary shares) of US\$0.10 each in issue.

Hong Kong, 22nd May, 1997

By Order of the Board
Elizabeth Ka-Yee Kan
Company Secretary

The No1 Survey for World Equity Markets

- > On the 28th of January Reuters journalists filed more than 13,000 stories using over 900,000 words around the globe.
- > Only significant stories make the daily ranking of the global "top 100" most accessed Reuters stories.
- > On the 28th January, the three stories filed by Reuters on the European Larger Company Survey were ranked 74th, 87th and 89th.



REUTERS SURVEYS

	Number of companies	Market Cap \$m	Fund Management Groups	Side
UK Larger Company	350	1,415	100	1,740
UK Smaller Company	750	115	100	1,224
Continental European Larger Company	350	2,374	100	2,756
Global Emerging Market Company	1,200	688	150	1,689
US Larger Company	500	5,972	150	Pub. June

The 1997 UK Larger Company survey, published on Tuesday 15th April, is now available for purchase.

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COMPANIES AND FINANCE: UK

Emap helped by growth in advertising

By Christopher Price

Buoyant advertising growth in the UK magazine and radio markets led a 40 per cent rise in annual pre-tax profits at Emap, the media and exhibitions group.

The £121.1m (£195m) profits, excluding exceptional items, were struck on sales of £741.6m, a rise of 23 per cent. Including the £113.5m profit made from the sale of the printing and regional

newspaper business, pre-tax profits in the year to March 31 were £224.6m (£78.3m).

The results reflected strong organic growth across a range of the businesses. Operating profits from UK consumer magazines rose 15 per cent to £44.9m.

Mr Robin Miller, chief executive, said the UK market continued to be dynamic with a series of launches undertaken, as well as revamps, acquisitions and

disposals within its magazine stable. Costs had been helped by a decline in paper prices.

Advertising revenues increased 11 per cent. However, the company warned that while it expected the advertising market to continue to grow strongly this year, it was more cautious about the outlook for 1998 and 1999.

Revenues from French consumer magazines were

flat. However, profits doubled to £38.2m as a result of a reorganisation of operations following the £142m acquisition last year of three bestselling titles.

Business communications, incorporating Emap's trade magazine and exhibitions businesses, improved profits 18 per cent to £30.3m. The company confirmed discussions to dispose of "a small number" of titles were underway.

Profits from the radio division rose 40 per cent to £20.4m.

Net debt fell from £350.1m to £29.1m. Adjusted earnings per share increased 42 per cent to 38.5p. A final dividend of 8.7p, makes 13p for the year, up 16 per cent.

It also emerged yesterday that Emap paid £515,000 compensation to Mr David Arculus, its former managing director who left earlier this year to join United

News & Media. The company also said it would make a formal announcement in the autumn over management succession, prompted by Mr Arculus's departure and those of two non-executive directors expelled after a boardroom row last year.

Mr Robin Miller, chief executive, remains favourite to take over from Sir John Hoskyns when he retires as chairman at next year's annual meeting.

ferry capacity, can you also put the prices up? I think the answer has to be no."

As for a dividend by 2008, Mr Gary Klesch, chairman of Klesch & Co, the debt specialists, reckons 2010 looks more likely. "We were projecting a dividend in 2006 in our model of a year ago, so that's before the fire, and with a strong wind behind us," he said.

Contributing to onlookers' gloom is an apparent slowdown in the growth of cross-channel traffic volume, and worries about the effect on Eurotunnel if duty free sales are abolished in 1998, as scheduled.

Some in the industry have argued that as many as 60 per cent of passengers who cross the Channel are day-trippers. Eurotunnel argues that without the lure of duty free, many will turn away from ferries towards Eurotunnel's car-carrying shuttle trains, or the Eurostar city-to-city service to save time.

But, say analysts, a number may also choose to go by aeroplane on the no-frills services that are springing up all over Europe. Or they may choose to stay at home.

Furthermore, analysts do not necessarily believe that the end of duty free means an end to the price war. "Travellers do not expect to pay a premium for Eurotunnel services," said one.

If Eurotunnel's projections prove wrong again, the planned restructuring may not be enough to secure the company's future. That is one reason why shareholders and brokers alike are approaching the projections in the listing particularly, and the proposed restructuring, with considerable scepticism.

LEX COMMENT

Emap

Cash could soon be burning a hole in Emap's pocket. Net debt fell from £350m to £29.1m in the financial year to end-March. That was partly helped by the proceeds from selling its newspaper division. But, without any acquisitions or disposals, the group would still have out debt by £71m. By end-March 1999, Emap will have a modest cash mountain unless something is done. Stepping up investment on new magazine launches, while probably sensible, will make only a modest dent on the cash flow – only £34m was spent in this way last year.

However, the group is on a hunt for a large acquisition in one of its core businesses. And the right purchase might be just what is needed to put some pep into the share price, which has recently marked time. Certainly, without a biggie acquisition, Emap's current strong earnings momentum will be hard to maintain: after this year, the main margin improvements in Emap's French business will already be in the bag and the UK advertising cycle will be mature if not actually turning.

Emap's impending embarrassment of riches is, of course, a risk as well as an opportunity. It would be easy to fritter the cash away on an ill-judged purchase. Fortunately, there is as yet no sign of this. Emap did not, for example, outbid United News & Media for Blesheim; and its recent acquisition record is good. Still, with the management succession not yet settled, investors will not want to take too much good news for granted.

Filofax confident despite 10% fall

By Christopher Price

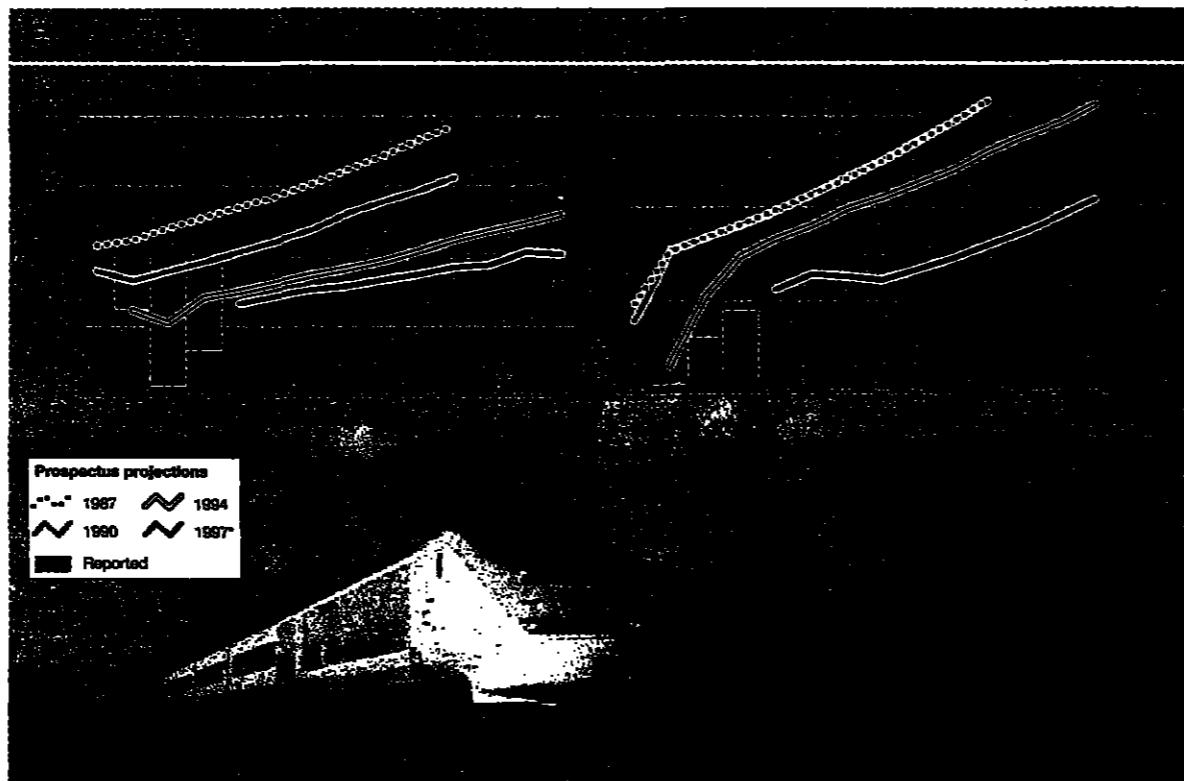
In Europe, which provides some 20 per cent of revenues, Scandinavia remained Filofax's largest market. However, sales declined 16 per cent at constant exchange rates to £5.12m, as an attempt to substitute Filofax products with the newer Microfile range in Sweden failed.

Germany saw the strongest sales growth, up 32 per cent to £2m. But sales in the US fell 8 per cent to £5.1m, despite a \$500,000 investment in retail displays.

Mr Field said he was confident the changes would result in profitable growth in the current year. The shares closed up 5p at 141/4p.

Twin track through shifting sands

Charis Gresser and Andrew Jack on Eurotunnel's tortuous financial history



Speaking in Paris, Mr Patrick Ponsolle, the executive chairman, stressed that the figures – which suggest the payment of a first dividend between 2005 and 2009 – were not forecasts, and depended on a number of factors which could change considerably, such as an extension to the concession period.

Projections which extended further than three years into the future were "more and more uncertain", he said, adding that he had been reluctant to even make public longer-term projections up to 2032. He only did so because they had been prepared for discussions with Eurotunnel's creditor banks. It was therefore "only reasonable" that shareholders should have them too.

The document sets out

how Eurotunnel plans to escape from the mire which has engulfed it and its investors. The total cost of the tunnel and associated rolling stock when it finally became operational a year late, was nearly twice the original estimate.

Incredible though it may now seem, Eurotunnel thought its first year of operations would show a modest £70m pre-tax profit.

That was before the construction delays and cost overruns, the rolling stock breakdowns, a fire in one tunnel last November, and the price war with the ferries. That projection also preceded the build-up of a crippling £2.5bn debt burden, which last year clocked up daily interest charges of more than £2m.

By 1994, when cost overruns had begun to surface,

Eurotunnel was not anticipating a profit until 2002, although it was hoping to carry 10.7m passengers on Eurostar trains by 1996. But the service, operated jointly by the national railways of Britain, France and Belgium, was bogged initially by technical faults and price competition with the airlines. In 1996, Eurostar carried 4.9m passengers.

This is but one unmet fore-

cast among many. How much credibility do projections carry in the City?

Many analysts and investors are sceptical about the company's assumptions that it can push up both yields and traffic volumes. ABN Amro analyst Mr Peter Bergius, who attended Eurotunnel's presentation last week, said: "My initial reaction was: if you want to win market share and reduce

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The bidding will be carried out at the offices of the Directorate of Exploitation of the EOT, at 7 Voulis street, 6th Floor, Room No. 616, on Monday, 15.09.1997, from 10.00 to 12.00 hours, before a Bidding Committee, set up for this purpose.

Interested parties can avail themselves of the invitation text from 05.06.97 onwards from the EOT offices at 7 Voulis street, 6th Floor, Room No. 611, Athens from 11.00 to 14.00 hours, daily.

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FINANCIAL TIMES

Chris Price 15/50

TECHNOLOGY

Quick-change aircraft that switch between goods and passengers are back in vogue, says Richard Tomkins

Precious cargoes

The words "package holiday" have taken on a new meaning since United Parcel Service, the world's biggest package delivery company, started using its cargo aircraft to operate passenger charter flights a few weeks ago.

Each weekend, UPS is transporting thousands of American holidaymakers to their destinations using Boeing 727 cargo aircraft that spend their weekdays shuttling containers full of packages between domestic airports.

The idea conjures up visions of people sitting miserably among the packages inside the aircraft's bare and grimy belly. In fact, when carrying passengers, the aircraft are almost indistinguishable from ordinary ones, apart from the distinctive UPS livery on the exterior.

UPS's entry into the passenger business has been made possible by the development of so-called quick-change aircraft, or QCs, that can be transformed from

cargo to passenger use and back again in as little as half an hour.

So far, UPS has five QCs, all of them converted from its fleet of 197 Boeing 727 cargo aircraft by Pemco World Air Services in Denver, Colorado. Pemco has also converted 15 Boeing 737s for France's L'Astropole and eight Boeing 737s for Germany's Lufthansa.

Pemco says passenger or cargo aircraft are suitable for conversion, but if a passenger aircraft is chosen, it will have to be fitted with a cargo door. It will also need reinforcement of the dividing "floor" which, in the passenger version, separates the passenger cabin from the baggage hold below.

In cargo aircraft, this dividing floor is covered with rollers so that containers, once loaded onto the upper deck through the cargo door, can be manoeuvred into place. QCs also require this feature because the passenger seats are fixed to pallets that are loaded on to the aircraft as



though they were cargo, using exactly the same loading equipment.

Each pallet is the same width as the aircraft and carries 12 seats, neatly laid out in two rows of six with an aisle in the middle. The pallet itself, ready-carpeted, becomes the floor of the passenger cabin, and is simply rolled back down the inside of the aircraft before being bolted into place. Magazines, safety instruc-

tions and airsickness bags are already in the seat-back pockets.

Lavatories are permanently fixed in the aircraft because they are too much trouble to remove, but the galleys come in and out on pallets, like the seats. The overhead bins, complete with emergency oxygen and reading lights, are wheeled in on padded carts and fixed to the ceiling with hooks and brackets. They have to be in the right order because

they carry the seat numbers. Installing and removing the overhead bins is one of the more time-consuming parts of the operation because they are not ready-fixed to pallets. Pemco says Lufthansa and L'Astropole leave them permanently installed as a time-saving measure because their aircraft undergo two transformations every 24 hours, carrying passengers by day and cargo or mail by night. The drawback

is that, when carrying cargo, these airlines have to use smaller, specially-designed containers to fit the reduced space.

The labour costs of transforming the aircraft are small because most of the work is done by the same workers who load and unload cargo. The main consideration is the \$2m to \$3m outlay for initial conversion, and whether extra profit will justify the cost.

Quick-change aircraft are not a new phenomenon, but seem to be enjoying a revival. Fredrik Groth, Pemco's vice-president for commercial sales, says one reason they did not catch on before is that they would sometimes get delayed by weather while carrying cargo at night, leaving them stranded at distant airports and unavailable to carry out passenger duties by day. "It caused more headaches than it created solutions, because it really cut down on the reliability of the passenger side," Groth says.

Improved aircravt have diminished this problem by allowing aircraft to land and take off in almost any weather. Improvements to QC technology - for example, better fasteners that speed up the transformation - have also helped. And with companies all over the world facing ever-increasing pressures to "sweat" their assets around the clock, QC aircraft could form an increasing proportion of the worldwide airliner fleet.

A home for good ideas

Britain's great band of unappreciated inventors now have somewhere sympathetic to take their ideas: AEA Technology, formerly the UK Atomic Energy Authority and since last year a quoted science and technology services company.

This week Peter Watson, AEA's chief executive, will launch Innovation Plus, "an invitation to frustrated inventors to bring their ideas to us". It is aimed at lone inventors, academics and innovative small businesses.

AEA's first step will be to advise the inventor how to protect an invention with a patent before disclosing it. Then "every idea submitted will be subjected to a rigorous evaluation". Watson accepts that, in some cases, "we will have to explain politely why the idea does not obey the rules of physics".

For ideas that are thought worthy of development, AEA will propose a "mutually beneficial agreement", which might include a royalty agreement or joint venture, as appropriate.

Although AEA's roots were in the nuclear industry, it is now so broadly based - covering fields from pharmaceuticals to batteries, engineering software to pollution monitoring - that it could evaluate almost any idea with a basis in science and technology.

Watson expects innovation Plus to bring in "hundreds of ideas a year". It has set no limit on numbers or on the investment it will make in developing them.

"No company has a monopoly on good ideas, which can occur anywhere and from anyone," Watson says. "Our initiative aims to match good ideas to the management skills needed to exploit market opportunities. It is this matching of inventiveness to commercial skills that I view as the true challenge of innovation."

Clive Cookson
Contact: Alex Tomczyk, AEA,
tel 01233 432013.

Ground-based solution pops up

Marcus Gibson on banishing vehicles from aircraft service areas

high-frequency, short-haul and shuttle operations during peak morning and late afternoon periods.

When combined with an automatic push-back pilot, which dispenses with the need for tractors, more than 80 per cent of vehicles on the ramp - and human effort - can be eliminated, FMT says.

Safety is another factor. "It is safer to drive on the M25 than at airside at Heathrow," says one ground services specialist. The international airline organisation IATA, which publishes figures on ramp accidents, says that in 1995 the global cost was more than \$2bn.

Although Heathrow's police will not divulge the exact number of vehicles ashore - which runs into thousands - airlines are increasingly fed up

with aircraft skins being punctured in accidents on the ground - almost invariably caused by collisions with vehicles. Worldwide, one aircraft is damaged for every 1,700 departures.

By cutting the fleets of service vehicles, many of which are heavy duty, diesel-engined types, and by reducing the use of aircraft auxiliary power units, carbon emissions at most European airports could be cut by a quarter. "The average annual fuel consumption by an auxiliary power unit is 150,000 litres," says Dowse.

Best of all, he says, a computer monitors the progress of turnaround operations and opens the way towards much tighter control on aircraft movements. "The system tells the ground crew, airframe check-in staff, the

pilot and above all the control tower, exactly what progress has been made."

Air traffic control can also keep track better of how many aircraft will be ready to move

Airlines are increasingly fed up with aircraft skins being punctured in accidents on the ground

and, more importantly, when FMT admits that the cost of installing its units in existing infrastructure has discouraged European airports.

None of Europe's larger new airport projects - Oslo's

Gardemoen airport and Heathrow's proposed T5 terminal, has opted for totally vehicle-free ramps. But industry sources say that both are likely to fit some fixed services.

Another hurdle for FMT is that everywhere in Europe airports are "unionised, politically strong, and employ hundreds of thousands of unskilled and semi-skilled workers either directly or indirectly," according to one airport manager.

But at Stockholm's Arlanda airport, the one place in Europe which has used FMT technology, the ramps at Terminal 2 have all been fitted with pop-up units.

The Scandinavian airline SAS says that as a result of faster turnaround times one aircraft was taken off its

Stockholm-Gothenburg shuttle without cutting the daily 18-flight schedule.

Hans-Ivar Glatz, Arlanda's technical manager, says: "Turnaround was cut from 35 minutes to under 25... and below 20 if there was no catering or cleaning involved."

Unfortunately for FMT, the terminal proved to be too small for its domestic operations and it has since moved to an adjoining terminal. Now the advantages of the FMT system are being enjoyed by rivals Finnair and Transwede.

Arlanda's own study showed that it recouped the capital cost of fitting the units in two years, after labour and vehicle costs fell 25 per cent a year.

For passengers, however, this will leave one area unrefomed: baggage handling, which remains the slowest and most backward point at any airport. "The truth is... no one has yet come up with a satisfactory way of speeding up baggage handling," says Dowse.

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A ministerial decree which prohibited the distribution of a US cartoon channel on the Brussels cable network because it would breach legislation on space reserved for programmes of European origin, was contrary to European law, the European Court of Justice ruled recently.

The ruling arose in the context of a dispute between the Belgian authorities and Turner International, which broadcasts TNT and the Cartoon Network from London via the Astra satellite.

The channel could be received in the UK and in several western European countries including Belgium. Turner signed a contract with a Belgian cable company for distribution.

However, the Belgian communications minister banned transmission on the grounds that it would breach the directive on television broadcasting.

That provided that member states were to ensure that, where practicable, broadcasters should reserve the majority of transmission time for European-origin programmes.

Turner applied for, and eventually secured, an interim injunction requiring the cable company to distribute the channel. However, criminal proceedings were brought against the cable company for infringing the ministerial decree.

The national court decided to refer various issues relating to the compatibility of the domestic legislation with the EU directive to the European Court.

The Belgian government argued before the Court that TNT and the Cartoon Network did not come within the terms of the directive because it did not fall under any member state's jurisdiction because of its non-European origin.

The Court reiterated that the concept of jurisdiction of a member state in the context of the directive had to be understood as including

jurisdiction based on the broadcaster's connection to that member state's legal system.

This, the Court found, overlapped with the concept of establishment as set out in the Treaty of Rome. The origin of the programmes therefore had no bearing on the question of whether a given member state had jurisdiction over the programme's broadcaster.

The other issue before the Court was whether a member state could restrict retransmissions of broadcasts on its territory of programmes transmitted from other member states, where the programmes did not comply with the rules in the directive relating to origin.

The Court ruled, based on earlier judgments, that under the system established by the directive for allocating obligations between member states which transmit and those which receive broadcasts, it was solely for the transmitting state to ensure compliance with the directive. The receiving state was not authorised to exercise its own control.

The Court relied on the preamble to the directive, which provided that all restrictions on freedom to provide broadcasting services covered by the directive had to be abolished. It also provided that it was sufficient that broadcasts complied with the terms of the directive and the law of the EU state from which they were transmitted.

The grounds on which a receiving state could suspend transmission of incoming programmes were clearly defined and did not include

The Court added that if an EU state considered another to be in breach of its obligations, it could bring infringement proceedings against that country. However, a member state was not entitled to adopt corrective or protective measures.

The Court reiterated that the concept of jurisdiction of a member state in the context of the directive had to be understood as including

C-14/96: Paul Denuit, ECJ, May 29 1997.

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CURRENCIES AND MONEY

D-Mark undercut by French result

MARKETS REPORT

By Richard Adams

Germany's D-Mark was caught in the crossfire of the election result in France that ousted the conservative government there, and suffered a bloodbath on foreign exchange markets yesterday.

The dispute between Germany's government and the Bundesbank over Bonn's plans to revalue its gold reserves to help qualify for European monetary union boosted the US dollar and sterling against the D-Mark, as analysts anticipated a weaker single currency.

The German currency shed nearly three pennies against sterling to end at DM1.81, and lost two pennies against the dollar to be worth DM1.72.

The French franc had a roller coaster ride on the foreign exchange markets, falling heavily before recovering in afternoon trading in

Europe. But despite the best efforts of the French central bank, which intervened repeatedly, the franc suffered heavily against the US dollar, tumbling by six centimes. The dollar strengthened from FF15.76 on Friday's close to FF15.82 yesterday.

Even the Swedish krona put its fire in - or two, to be precise. The krona strengthened from SKR1.53 to SKR1.51 against the D-Mark, as investors scurried for safe havens. The Irish punt was another beneficiary, up a pfennig and a half to DM2.58 on the back of sterling and despite its almost certain participation in a single currency.

The French election result and the on-going row over

■ Pound in New York

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the German gold reserves has fuelled market fears of a weak and wide European single currency.

Repeated intervention by the Banque de France limited the franc to weakening to FF13.3800 against the D-Mark, and it later recovered strongly to FF13.373 by the close of trading in London - half a centime above its close last week.

But the franc suffered as heavily as the D-Mark against the dollar and sterling. The pound gained eight centime to FF15.50.

Mr Jeremy Hawkins, chief economist at Bank of America, said: "It's left an air of uncertainty over the European markets. But the implicit belief is that ECU is going to begin on time, aside from the French election and the German problems."

The bottom line, Mr Hawkins said, was that ECU was still likely to start on time, and that was good news for convergence trades. The Italian

French franc

Against the Swiss franc (FF per SF)



ian lira, for example, rose by almost eight lira - from Ls919.9 to Ls84 - against the D-Mark.

Mr Hawkins said that the recent events in Europe had been a "double whammy for the prospective new currency". But events were also good for the dollar and probably the peripheral currencies and the franc, he said.

Market reactions in Lon-

don to the appointments were positive. Mr Nick Shamim, currency strategist at ANZ Bank in London, said: "The names are very credible - they are not tied to any political parties. Sterling has been very bullish on it, and it has increased the credibility of the Bank of England."

The four outside appointments are Professor Charles Goodhart, from the London School of Economics; Dr DeAnne Julius, chief economist at British Airways; Sir Alan Budd, chief economic adviser to the Treasury; and Professor Wilhelm Buiter, economics professor at Cambridge University.

Market reactions in Lon-

don had reassured the market. "They have settled on a number of well known, well respected people, and haven't jeopardised the market's belief in the government's motives," he said.

Mr Shamim said the pound could continue to do well against the D-Mark before the MPC meeting, and could gain two more pennies to above DM2.68. Sterling could go as high as 2.87/35, which Mr Shamim points out is a 6.1 per cent Fibonacci retracement from its peak of DM3.3110 in February 1989 to its low of DM2.169 in November 1995.

Market reactions in Lon-

WORLD INTEREST RATES

MONEY RATES

June 2	Over-night	One month	Three months	Six months	One year	Lomb. int.	Dis. rate	Repo rate
Belgium	3.1	3.1	3.1	3.1	3.1	3.00	2.50	4.75
France	3.1	3.1	3.1	3.1	3.1	3.10	3.00	4.75
Germany	3	3	3	3	3	3.5	3.5	6.75
Ireland	5.8	5.8	5.8	5.8	5.8	4.50	-	6.75
Italy	7	6.8	6.8	6.8	6.8	6.25	6.75	6.75
Netherlands	3.1	3.1	3.1	3.1	3.1	2.50	2.50	4.75
Switzerland	1.6	1.6	1.6	1.6	1.6	1.00	-	1.00
Japan	1.6	1.6	1.6	1.6	1.6	1.50	1.50	1.50

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EURO CURRENCY INTEREST RATES

Euro

June 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3.4	3.1	3.1	3.1	3.1	3.1
German Mark	3	3	3	3	3	3
Irish Pound	5.8	5.8	5.8	5.8	5.8	5.8
Italian Lira	7	6.8	6.8	6.8	6.8	6.75
Netherlands Guilder	3.1	3.1	3.1	3.1	3.1	3.1
Swiss Franc	1.6	1.6	1.6	1.6	1.6	1.6
Japanese Yen	1.6	1.6	1.6	1.6	1.6	1.6
American Dollar	5.46	5.38	5.70	5.98	-	-
ECU Linked D4	-	4.1	4.1	4.1	4.1	-
SDR Linked D4	-	3.1	3.1	3.1	3.1	-

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COMMODITIES AND AGRICULTURE

Retreat in coffee prices continues

MARKETS REPORT

By Gary Mead in London and Laurie Mead in Chicago

Profit-taking hit coffee prices on the world futures markets yesterday following their recent strong rally. Prices in New York and London fell sharply after the 12 per cent slide in arabica futures on the US Coffee, Cocoa and Sugar Exchange Friday.

On the London International Financial Futures Exchange the benchmark July contract for robusta fell \$370 when trading opened, down to \$2,100 a tonne, against a recent peak of \$2,670. It ended the day at \$2,115, down \$55.

At midday yesterday on the CSGC sellers continued to take profits and Friday's retreat continued, with the July contract for arabica down 20.65 cents to 255.75 cents a pound.

However, yesterday's retreat may be short-lived. The fundamental factors affecting the coffee market remain the same - a volatile mixture of tight supply, low stocks and fear of frost in Brazil. The latest weather forecasts for Latin America anticipate temperatures above normal for this week.

Palladium prices fell sharply as Russian officials arrived in Japan for talks on restarting stalled exports of the metal. In London, palladium closed at \$172.50 a troy

ounce, down \$6.50, while platinum was \$2 an ounce lower at \$402.

Officials from Almazjuvelirexport, Russia's export agency for precious metals, arrived in Tokyo for two weeks of talks. Mr Vitaly Berlin, a senior Almaz official, said Russia would "be able to resume" precious group metals, including platinum, this month. News about volume may follow next week.

Other markets were relatively quiet. In late trading on London's International Petroleum Exchange, oil prices moved slightly upwards, with Brent crude for July delivery up 15 cents to \$19.54 a barrel.

Base metals on the London Metal Exchange generally drifted lower. Three-month copper fell \$44 to

\$2,482 a tonne, while zinc for the same delivery fell \$15 to \$1,530 a tonne.

Soyabean futures on the Chicago Board of Trade gave back most of Friday's advance, as the contract for July delivery continued to reflect market uncertainty over whether current tight soyabean supplies were sufficient to meet processor and export needs.

The US Department of Agriculture has projected that farmers will be scraping the bottom of their bins by the time the crop year ends on August 31, with only 12.5m bushels remaining as carry-over.

However, the new US crop, for harvest in mid-September, is expected to be a record, based on early

planting data. As a result, old-crop soyabbeans, reflected in the July futures contract, are carrying a wide premium over November, the harvest-time contract.

"July will remain extremely volatile and you will see 10 cent shifts in either direction in response to weekly crush data, import, export and export sales reports," said Mr Dick Smetsma, director of research for AgResource in Chicago.

He projected the July contract would hold between the contract high of \$30.2 and \$31.25 as traders sorted out supply and demand.

New crop soyabbeans are being seeded at a near-record pace, with plantings expected to be 90 per cent complete this week.

COMMODITIES NEWS DIGEST

Gold price seen to track rise in costs

The rising cost of gold production should underpin a modest but steady upturn in gold prices, according to AME Mineral Economics, the Sydney-based consultancy. In its latest report on the gold industry, AME claims that movements in existing world gold stocks seem to have had "virtually no" inflationary effect on the gold price, "which appears to track gold mining costs consistently".

"Assuming that the relationship holds into the future, then the gold price should continue to follow the direction of future mine costs," it argues. The marginal cost of producing gold in 1996 dollars - proxied by the top decile of forecast mine cash costs - will rise from about \$350 per ounce in 1997 and \$360 per ounce next year, to about \$388 per ounce by 2001, it forecasts.

AME estimates that this should encourage the gold price to increase from an average of about \$360 per ounce this year to about \$380 in 1998. "Consistent with the increase in marginal costs in 1996, real gold prices should move up to at least \$390 per ounce or more, and should settle at the \$400 mark by 2000-2001."

The survey notes that South Africa continues to suffer the highest average costs of the main gold producing countries, with Australia falling into second place.

Meanwhile, Placer Pacific, operator of the Porgera gold mine in Papua New Guinea, said mill throughput had been suspended on Sunday evening. It said exceptionally dry weather had "seriously reduced" water levels in the main dam supplying the mine.

Nikki Tait, Sydney

Comalco in gas pipeline talks

Comalco, the integrated Australian aluminium producer, is talking to the Chevron-led consortium that is considering building a gas pipeline between Papua New Guinea and Queensland. Comalco has been looking into building an Aspin-plus aluminium refinery, and has narrowed the choice of potential sites to Gladstone in Queensland or Malaysia. Energy costs would be crucial to the project's viability, and it acknowledged its investment was, to an extent, interdependent on the A\$3bn (US\$2.3bn) pipeline plan. This would see gas shipped down from Kutubu gas field in PNG to Queensland, but would need large, guaranteed customers to make it attractive.

The two companies said that they would "co-operate to expedite completion of their respective studies, before committing to final feasibility studies" but stressed that they did not intend to become partners in each other's projects.

Nikki Tait

Normandy Mining venture

Normandy Mining, Australia's largest gold mining group, and the smaller St Barbara Mines have formed a partnership to exploit their assets in the Cue district in Western Australia. The joint venture will take in Normandy's Big Bell gold mine and treatment plant, St Barbara's Cuddingwarr gold resource and the two groups' exploration tenements within 80km of the plant.

Normandy will have a 70 per cent interest in the venture and be the operator, while St Barbara will hold 30 per cent. Normandy will also take a 7 per cent stake in St Barbara, raising A\$9.75m for the smaller group and giving it a seat on St Barbara's board.

Nikki Tait

Cuba reaps benefits of organic farming

Cuba's recent allegations of a "biological attack" on its crops by the US highlights the importance of food security for the communist-ruled island.

Havana has formally accused the US government at the United Nations of releasing a plague of tiny, juice-sucking bugs that are now reported to be ravaging food crops in three Cuban provinces. Washington has denied the charges, calling them "outrageous".

During the 1980s, Cuba began a massive conversion to organic food production. Today, its success in producing food without chemicals has enabled the island to feed itself without the need for imports, keeping the revolution intact and stimulating interest from the outside world.

Delegations from the UK, Italy, Brazil and, by special arrangement, Texas and California have visited Cuba this year to witness and "export" its techniques.

"Castro sees sustainable agriculture as a way to keep the spirit of the revolution alive," says Mr Luis Garcia, Castro's dubbing the crisis a

head of Havana University's department of agro-ecology.

Cuba's socialist emphasis on education and scientific excellence meant it had 11 per cent of all Latin American scientists. Some, unhappy with the intensive agricultural systems imported wholesale from the USSR, had begun their own trials of alternative techniques during the 1980s.

"The problem was that by the 1980s, 80 per cent of Cuba's food requirements were imported from the USSR," says Mr Garcia, "along with 90 per cent of the pesticides and fertilisers necessary to produce sugar - its main cash crop - and 50 per cent of its fuel." In 1986, Soviet withdrawal sent the country into spasms of economic crisis.

On the outskirts of Havana, the Cuban Association of Organic Agriculture (ACAO) is running mixed livestock/crop trials. Mr Fernando Funes, its director, explained that the overall aim was to develop systems suitable to provide enough nutrition for the family of an average *campesino*, or Cuban

"special period of peace-time"; locals called it Arma-geddon.

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Growth business: Organic expert Fernando Funes (right) measures crops for yield increases

small farmer, on a three hectare plot. "Crops are chosen for their value in providing essential staples, as well as for how they interact with each other," he says.

"Because many farmers now have the freedom to farm individually, the production of organic food has risen exponentially and since 1989, 42 per cent of rice is now farmed organically," says Mr Funes, once a director of the Rice Institute.

Many families are to be seen tilling small rice paddies by the roadside but "alternative" agricultural techniques have not been limited to rural areas. In Havana, some 30,000 families have converted gardens into mini-farms since 1991. Vegetables are grown organically to feed urban consumers.

Sugar remains Cuba's most significant export crop, covering some 72 per cent of cultivable land. Mr Funes considers that with proper funding to continue trials, its production could be fully organic within a decade.

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Cuba's experience in

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINUM, 99.7 PURITY (\$ per tonne)

Cash 1585-86 1602-03

Previous 1611.5-12.5 1627-28

High/Low 1615/1585

AM Official 1588-87 1600-1625

Kerb close 1587-98

Open Int. 263,042

Total daily turnover 72,375

■ LEAD (\$ per tonne)

Close 611-3 623-5

Previous 625-27 634-35

High/Low 616/615 630/621

AM Official 614-5 625-5

Kerb close 625-6

Open Int. 5,243

Total daily turnover 760

■ NICKEL (\$ per tonne)

Close 6915-25 7025-30

Previous 7110-20 7230-35

High/Low 7100/6950 7230/7050

AM Official 6875-80 6970-75

Kerb close 6970-80

Open Int. 5,2017

Total daily turnover 23,285

■ TIN (\$ per tonne)

Close 6950-80 6960-100

Previous 6925-35 6930-40

High/Low 6915-6900 6925-6915

AM Official 6975-80 6980-90

Kerb close 6980-90

Open Int. 6,321

Total daily turnover 6,208

■ ZINC, special high grade (\$ per tonne)

Close 1303-04 1327-27.5

Previous 1325.5-26.5 1344-45.5

High/Low 1324/1320 1344/1345

AM Official 1302-03 1324-24.5

Kerb close 1328-29

Open Int. 9,590

Total daily turnover 37,693

■ COPPER, grade A (\$ per tonne)

Close 2850-5-41.5 2920-44

Previous 2611-12 2680-44

High/Low 2552-25 2731/2472

AM Official 2551-53 2631-54

Kerb close 2495-90

Open Int. 136,556

Total daily turnover 65,208

■ LME AM Official (\$/lb) 1,633/34

LME Closing (\$/lb) 1,631/34

LME Open Int. 1,633/34

Total daily turnover 1,631/34

■ HIGH GRADE COPPER (COMEX)

Close 344.90-54.40 345.90-54.40

Opening Int. 344.90-54.35 345.90-54.35

Afternoon fix 344.90-54.35 345.90-54.35

Day's High 344.90-54.40 345.90-54.40

Day's Low 344.90-54

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LONDON STOCK EXCHANGE

Financial stocks drive Footsie down again

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

The stock market debut of the Halifax, newly converted to banking status, overwhelmingly dominated the UK equity market which lost ground for the fourth consecutive session as the rest of the banking sector came under fire.

Dealers cited a long list of factors behind the slide, including the forthcoming budget, scheduled for July 2, initial uneasiness in European markets following the victory by the Socialists in the French election and the possibility of a rise in UK interest rates.

Halifax
off to
a flyerBy Joel Kibbey, Martin Brice
and Gary Mead

The debut of Halifax was easily the biggest event in the market yesterday.

Dealing in the stock not only accounted for half of the total turnover in the market but was also said to have contributed to the further decline seen in the rest of the retail banking sector.

It was, however, a volatile trading session for the new shares. There was euphoria at the start of the session as Halifax shares opened at 774½p, way above fair value estimates of about 720p. The opening not only helped the banking sector but also helped underpin early trading in the market as a whole.

Much of the early business was done around the 720p a share mark, with dealers reporting the smaller institutions and brokers as the active players in the market at that stage.

The shares touched a high of 776p, before easing off the top ahead of the lunchtime period as several institutions went in for profit-taking, partly on the back of a "buy" note from Goldman Sachs.

Goldman's profits upgrade is thought likely to be the first in a series from other brokers; analysts are set to visit the company's gaming division tomorrow. The bro-

ker raised its assessment of the shares from "market outperformer" to "buying trade" and increased its pre-tax estimate for 1997 from £210m to £215m, and earnings per share estimates from 13.5p to 13.6p, which puts the shares on a prospective price/earnings ratio of 17.

It also lifted its 1998 profits estimate from £250m to £255m and 1998 earnings per share from 16p to 16.3p.

Turnover in Halifax shares

was cast a shadow over the rest of the retail banking sector. Dealers suggested several institutions were active sellers of other issues as they prepared themselves to buy Halifax.

Shares in Lloyds TSB gave up 30p to 583½p, in busy trading of 13m; while Barclays surrendered 52 to £11.35, with some 8.5m shares in the group followed the market retreat, closing 3 at 275½p.

July 2 was announced as

the date for the Budget yes-

terday, prompting a modest decline in utility stocks as investors pondered the effect of the windfall tax. There were no risers at all in the electricity sector. National Power was the biggest faller in Footsie, retreating to 52½p ex dividend yesterday. Volume was 3.8m. PowerGen, with volume of 1.2m, was similarly easier, closing at 662½p, ex dividend. Scottish Power was down 13 to 371p in volume of 2.3m.

But the shares rallied 2½

to 467½p following Sunday newspaper analyses that concluded that, if anything, the ending of price fixing would benefit retailers at the expense of manufacturers.

Sporting leisure stocks, hit last Friday after news of a profit warning from Nike of the US, were among the day's heaviest losers in the retail sector and were additionally weakened by a profits warning from John David Sports. The latter, whose shares plunged 50 to 271p, said its like-for-like sales were down on last year's numbers. Blacks Leisure lost 21 to 518½p, while JJB Sports slipped 12% to 425p.

In the engineering sector, which has seen a rise recently as investors have switched out of the banking sector, British Aerospace edged down 17½p to £12.25 in volume of 1.1m shares after investors took the French election result as a suggestion that any combination with Thomson-CSF was less likely.

Smiths Industries fell 11p to 763½p after it said it was to pay 253m for two acquisitions.

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	Jun 2	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 1

Highs & Lows shown as a 50 week average

WORLD STOCK MARKETS																		
EUROPE		NORTH AMERICA									ASIA/PACIFIC							
AUSTRALIA (Jan 2 / Aus\$)		CANADA (Jan 2 / Cdn\$)									JAPAN (Jan 2 / Yen)							
FRANCE (Jan 2 / Frs)		UNITED STATES (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Greece		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Ireland		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Italy		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Spain		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
United Kingdom		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Belgium		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Denmark		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Finland		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Netherlands		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Norway		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Portugal		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Sweden		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Switzerland		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Austria		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Belgium		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Finland		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Greece		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Ireland		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Italy		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Spain		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
United Kingdom		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Belgium		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Denmark		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Finland		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Greece		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Ireland		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Italy		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Spain		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
United Kingdom		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Belgium		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Denmark		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Finland		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Greece		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Ireland		United States (Jan 2 / Us\$)									KOREA (Jan 2 / Won)							
Italy		United States (Jan 2 / Us\$)																

Automatic Call Distributor (ACD) technology, which handles high volume in-coming calls, was pioneered by Rockwell.



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INDICES

INDEX FUTURES

4 pm close June 2

NEW YORK STOCK EXCHANGE PRICES

Symbol	High	Low	Stock	1/4	1/2	3/4	1	1 1/2	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	559	560	561	562	563	564	565	566	567	568	569	569	570	571	572	573	574	575	576	577	578	579	579	580	581	582	583	584	585	586	587	588	589	589	590	591	592	593	594	595	596	597	598	599	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	639	640	641	642	643	644	645	646	647	648	649	649	650	651	652	653	654	655	656	657	658	659	659	660	661	662	663	664	665	666	667	668	669	669	670	671	672	673	674	675	676	677	678	679	679	680	681	682	683	684	685	686	687	688	688	689	690	691	692	693	694	695	696	697	698	699	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	739	740	741	742	743	744	745	746	747	748	749	749	750	751	752	753	754	755	756	757	758	759	759	760	761	762	763	764	765	766	767	768	769	769	770	771	772	773	774	775	776	777	778	779	779	780	781	782	783	784	785	786	787	788	789	789	790	791	792	793	794	795	796	797	798	799	799	800	801	802	803	804	805	806	807	808	809	809	810	811	812	813	814	815	816	817	818	819	819	820	821	822	823	824	825	826	827	828	829	829	830	831	832	833	834	835	836	837	838	839	839	840	841	842	843	844	845	846	847	848	849	849	850	851	852	853	854	855	856	857	858	859	859	860	861	862	863	864	865	866	867	868	869	869	870	871	872	873	874	875	876	877	878	879	879	880	881	882	883	884	885	886	887	888	889	889	890	891	892	893	894	895	896	897	898	899	899	900	901	902	903	904	905	906	907	908	909	909	910	911	912	913	914	915	916	917	918	919	919	920	921	922	923	924	925

